

UNITED STATES TREASURY BUILDING.

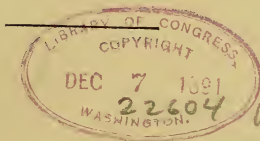
FEDERAL FINANCES

OR

THE INCOME OF THE UNITED STATES

BY WM. E. BURKE

W. E. Burke
1891



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P R E F A C E .

THE object of the following pages is to set forth in a plain and concise manner the United States system of taxation. This book is not a work on political economy, and no attempt will be made to discuss the merits of any tax system. The story of how our government levies and collects the money necessary to pay the annual expenses of so great a nation will be the scope and aim of this work.

The reader will find in these pages what he could otherwise find only by long research, and by looking through a multitude of books, reports and magazines. The author has endeavored to explain, in a plain and practical way, the sources of federal income, and to set forth in a faithful manner the method of collecting the government taxes. In addition to this, some account has been given of the means used by unscrupulous people to avoid payment of government duties. The information given can be relied upon, and it is an elementary knowledge necessary to any one who hopes to have even a tolerable understanding of our national revenue system.

W. E. B.

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FEDERAL FINANCES.

CHAPTER I.

TAXATION—ANCIENT AND MODERN.

A BRIEF review of the revenue systems of other countries and older civilizations may not be out of place in a work of this kind, and will, in a measure, prepare the reader to better understand the financial system of our own country.

The first account we have in the Bible of anything in the way of general taxes is given in Numbers xviii. 11, 20, where it speaks of tithes, first fruits and the redemption money of the first born. In early times the tithe or tenth was a general custom throughout Persia and Asia Minor. This was before the time of coined money, and taxes were paid by giving to the ruler the tenth of the products of the fields.

According to Herodotus, gold and silver was first coined in Lydia about 800 years before Christ. It is not until after this time that we begin to hear

of taxes being paid to governments as we understand taxes at the present time. The earlier systems of taxation which we read about were very crude, and in many instances very unjust. When an ancient ruler desired means with which to go to war, he set about securing it with little concern whether or not his method was fair and just. A favorite scheme of the ancient kings was to entrap some man of wealth into acting a part which displeased the reigning monarch, and then the unfortunate man would be banished and his property confiscated. Many an Oriental merchant has saved his head by surrendering as a ransom all his property to the king. The more powerful of the Eastern monarchies derived the most of their revenues by making the conquered provinces pay an annual tribute.

The revenue of ancient Greece was derived from various sources. By confiscating the estates of criminals and aliens, and by conquest and long possession, the States of Greece became the holder of large landed estates. The lands were leased or farmed out and the rents accrued to the state. All the mines within the territory of Greece also belonged to the state, and these, too, were farmed out. Duties and tolls were levied on imports and

exports. Foreign vessels were compelled to pay tonnage for the privilege of entering a harbor. Imports and exports were subject to a duty of two per cent. As early as 400 years before Christ the Greeks had a regular system of collecting custom duties. The value of the goods imported or exported was registered in the custom house at the port of entry or shipment, and the fiftieth (two per cent.) was not paid in kind, but in money. The duties were not collected by public officials, as is done in modern times, but by agents who paid the government for the privilege. The state would offer the sole right to collect all the duties of a certain port to the highest bidder. The broker securing the right to collect these duties and tolls was called a farmer of the revenue.

A different and higher scale of duties was usually laid upon exports and imports in the harbors of the countries which had been brought under the subjugation of Greece. At Byzantium a ten per cent. duty was collected on all merchandise exported to and imported from all countries on the Black Sea. A public building, what we now call a custom house, was built on the Bosphorus, in which to store the tithes when the duty was not paid in money. Thirty revenue ships, well manned and

under the command of two generals, hovered around the channel leading to the Black Sea, and whenever a trading vessel appeared in sight the revenue ships would pounce down upon it and demand the tenth before allowing the vessel to either enter or pass out of the sea. The annual income from all sources of the Athenian state, at the time of the breaking out of the Peloponnesian war, was about one thousand talents (\$1,026,000). This does not seem like a very large amount, but it must be remembered that the purchasing power of money at that time was much greater than it is now. The public treasuries of Athens were kept in a cell attached to the back part of a temple of Minerva, in the citadel. The money kept here was consecrated to Minerva, but this did not prevent the Greeks from using the money in time of great need. The priests could usually prevail upon the fair goddess to part with her treasures when the welfare of Athens was at stake.

When Rome was a republic she had a simple and direct system of taxation. About two hundred years after the foundation of the city of Rome, the "census" was instituted. This was a method of numbering the people and valuing their fortunes. Two magistrates were appointed to do this work,

and were called censors. They were clothed with almost unlimited power, and to be a censor was to hold one of the highest offices in the Roman republic. The census was taken in the same open and democratic way in which all the business of the Roman government was conducted at that time. On the day appointed to take the census, heralds were sent through the city to summon the people to the field of Mars, where, seated in curule chairs and surrounded by a retinue of clerks, the censors enrolled the citizens, took an inventory of their property and declared each one's taxes. Unless a citizen gave a correct statement of his property he was subject to severe punishment should he be discovered in his attempt at concealment. The censors were sole judges of the amount of taxes each citizen should pay. The censors often favored their friends, and there was no equality or justice in the manner in which the burdens of the state were meted out to the taxpayers. Then, as now, the rich often escaped their just share of the public expenses. Some estates were arbitrarily assessed at a very high rate, while other estates were sometimes entirely exempt from taxes.

Rome derived considerable revenue from the gold and silver mines which she captured from Spain.

and held as property of the state. The natives of Spain were made captives and condemned to work in the mines. At one time the proceeds from these mines enriched the Roman coffers at the rate of four thousand dollars a day. Mention must also be made here of the revenue derived from salt mines. The Romans placed a high value on salt, and its scarcity made it valuable. In the early history of the republic any one could buy and sell this article. But after the conquest of Macedonia, a country famous for its salt productions, the government assumed control of the salt market. Importations of salt into Rome were forbidden, in order to give the government a monopoly of the salt business. A revenue tax was placed upon this commodity, and the salt wells of Macedonia became a profitable source of revenue to the republic.

When Rome became an empire (B. C. 31) a considerable change was made in the system of taxation. Personal taxes, an excise tax and real taxes were introduced. Legacies and inheritances were also required to pay a tax; customs duties were regulated and extended.

In the reign of Augustus and his successors, duties were imposed on every kind of merchandise imported into Rome. The articles imported con-

sisted mostly of aromatics, such as myrrh, pepper, ginger and cinnamon; a great variety of precious stones, leather from Babylonia, cotton, silks, ebony and ivory. The duty was much higher than the custom tolls of the Greeks, and ranged from two per cent. to twelve per cent. At one time Augustus, desiring to strengthen his military forces, devised a new method of enlarging his revenue. He suggested a tax of five per cent. on all legacies and inheritances. This tax was opposed by the wealthy citizens, but the senate levied the tax. The nobles took advantage of every legal device to avoid paying this excise to the government, and in many instances they succeeded.

In the time of Justinian many severe and unjust methods of collecting taxes were introduced. The most unpopular and intolerable of all was what was known as the sale of monopolies. The crown would grant the sole right to some company to sell or deal in a certain article of commerce. For this privilege the company would pay a stipulated amount to the general government. The company having the sole right to deal in a certain article would, of course, have a complete monopoly of the same.

The methods of taxation in the Roman Empire were about as we have just described, from B. C. 31

to A. D. 315. At that time, Constantine the Great moved the capital to Constantinople, and reconstructed the affairs of state. Constantine invented the "indiction" method of levying taxes. By this system, every fifteen years was made a period of taxation. The emperor, by a solemn edict, or indiction, which was published in every province and city, prescribed the measure of tribute to the general government, and set forth the terms of payment. This arbitrary and despotic method lasted, with little variation, until the downfall of the empire.

But little can be said on the subject of taxation during the early history of England. A country must make some progress in civilization before it can have a system of taxation. Before that time, its rulers support themselves by conquest, confiscation and a piratical method of taking whatever they want. Therefore, it is not until the time of King Alfred, that England can be said to have had any regular system of taxation. This prince made some progress in establishing a regular revenue.

With the conquest of England by Norman kings, the feudal system was introduced. The custom of the feudal law was, that when a king conquered a new country, he immediately divided it up among

his generals, who held their lands under a sort of knight-service. The only debt they owed the king for the great landed estates that he bequeathed them, was to attend him, should he become involved in a war. The knights and generals in their turn, parceled out their estates to lesser chiefs and lords, on the same plan as they themselves had derived them from the king. This made a chain of union from the king down to the humblest peasant, and by means of this arrangement, a crude method of taxation was devised, which well served a warlike people. If the king's vassals did not wish to attend the king on a hostile expedition, they could pay a sum of money called a scutage. Sometimes the vassal was not allowed the privilege of personal service, but was required to pay the scutage. And not infrequently, the kings would pretend that they were going on a war expedition merely for an excuse to levy the scutage tax. The military tenants or holders of the large landed estates were not supposed to be taxed, but only to render aid and service in time of war. But in the course of time, the kings began to make exceptions to this rule, and to tax the barons under different pretenses. Finally, it became the practice to tax tillable land in every variety of form. These taxes were at times very

burdensome. During the reign of William Rufus the taxes were so high that the farmers left their fields to seek for other work, and a famine was the result.

Customs duties became, early in the history of England, an important source of revenue. As early as Ethereg's reign a custom duty was levied on vessels arriving with wine and fish. The right to collect these duties was farmed out after the Roman fashion, and this practice was continued until as late as 1671.

The old Norman kings were not wanting in devising schemes to enlarge their revenues. Sales had to be made in public markets, and the king collected a tax on each sale. On the public highways toll-gates were established wherever it was profitable to maintain them. Escheats were also a source of great revenue. If a baron should have no children his land reverted to the crown. When a baron died the king would take possession of the land and make the heir prove his title. Besides, the prospective heir was compelled to ask permission to do homage and pay a compensation to the king. The king would often make exorbitant demands, and keep possession of the estate until his demands were complied with. No man could ap-

proach one of these olden time kings without a present in his hand. A gift was the open sesame that unlocked the royal doors. No matter how just the cause, the king would not grant a hearing unless a consideration was forthcoming. All the offices were sold, and an action in the superior court could not be brought without a gift for the king. As the old rulers of Britain assumed control over trade they exacted pay from any one who wished to engage in trades, commerce or manufacturing. The exclusive privilege of manufacturing or selling a certain article was sometimes granted a person or corporation. The sole right to make and sell an article of commerce was a valuable franchise, and the king was always liberally paid for these grants.

When the old kings could find nothing else to tax they turned their attention to the Jews. For centuries the Jews of England were not only persecuted, but they were fined and plundered in every conceivable manner. As they were not under the protection of law, all sorts of excuses were invented for the purpose of extorting money from them. At one time the Jews were all thrown into prison, and the sum of sixty thousand marks demanded as the price of their liberty.

During the reign of King John the nobility re-

fused to pay the arbitrary taxes demanded by this prince. The result was a civil war, in which the nobles were victorious. They drew up a charter or bill of rights and compelled the king to sign it. This is known as the Magna Charter, and it greatly restrained the plundering methods of the English kings. The most important point about the Great Charter was that it provided that the king could levy no special tax without the consent of parliament. While the Magna Charter was the foundation of English liberties, yet it was only the beginning of the end of abuses by English rulers. The line of authority between the king and the parliament was not distinctly drawn, and many of the rulers continued the old policy of raising a revenue by plunder and extortion.

From the time of King John down to the accession of the house of Tudor the income of the crown was not so great as in the time of the Norman conquerors. But after this the income of the crown began to increase again. The reign of Charles I. was one of high taxes, exactions and monopolies. The many illegal and arbitrary methods resorted to by Charles for the purpose of raising a revenue, had a ruinous effect on the nation, and hastened the dethronement of this unpopular king.

On the accession of William III., a distinction was made by parliament between the portion allotted to the crown and that given to the public service. From this time on, Great Britain began to exercise a more just method of securing a national income. At present, the annual expenses of Great Britain are provided for by a low tariff on imported merchandise, not produced in the kingdom, a land tax, a property and income tax, a stamp tax, and an excise tax.

It is not necessary to speak of the different methods of taxation in other countries, as the general system of all ancient and modern nations will be found to be substantially the same, at different periods of their history, as that described in this chapter.

CHAPTER II.

HISTORY OF UNITED STATES TAXES.

THE constitution of the United States provides that Congress shall have power "To lay and collect taxes, duties, imposts and excises." When the first Congress met at New York in 1789 it found the country financially embarrassed. The Revolutionary War had left the country greatly in debt, and besides, there was no money in the treasury with which to pay the immediate expenses of the government. But it was not long until steps were taken to secure an income for the young Republic. Congress had been in session but a few days when the House went into a committee of the whole on the state of the Union. James Madison was the first speaker, and addressed the committee as follows:

"I take the liberty, Mr. Chairman, at this early stage of the business, to introduce to the committee a subject which appears to me to be of the greatest magnitude; a subject, sir, that requires our first attention and our united exertions. * * * * *

"The deficiency in our treasury has been too notorious to make it necessary for me to animad-

vert upon that subject. Let us content ourselves with endeavoring to remedy the evil. To do this a national revenue must be obtained; but the system must be such a one, that, while it secures the object of revenue, it shall not be oppressive to our constituents. Happy it is for us that such a system is within our power; for I apprehend that both these objects may be obtained from an impost on articles imported into the United States.

“In pursuing this measure, I know that two points occur for our consideration. The first respects the general regulation of commerce; which, in my opinion, ought to be as free as the policy of nations will admit. The second relates to revenue alone; and this is the point I mean more particularly to bring into the view of the committee. Not being at present possessed of sufficient materials for fully elucidating these points, and our situation admitting of no delay, I shall propose such articles of regulations only as are likely to occasion the least difficulty.”

Mr. Madison then submitted to the committee an outline for a bill on customs duties. This plan of taxation met with general approval, and, finally, on July 4, 1789, a tariff bill passed both houses of Congress. This first tariff was a very simple meas-

ure, its object being merely to provide a revenue for the government, with such incidental protection to American industries as would naturally follow the enactment of a tariff law. The tax on luxuries was made higher than those on necessities. The duty on common brown sugar was placed at one per cent. per pound, while on loaf sugar the duty was three cents per pound. Common wines were taxed ten cents per gallon, while the expensive Madeira wine was taxed eighteen cents per gallon. The average duty on all imported articles was about eight and one-half per cent.

An act imposing tonnage duties was passed at the same time. This law provided that ships built within the United States, and owned by citizens thereof, should be taxed at the rate of six cents per ton. If the vessels were built within the United States, but owned by foreigners, the tax was thirty cents per ton. But vessels owned by foreigners, and built elsewhere than within the United States, engaged in the coasting trade, and entering the ports of the United States, were required to pay a tax of fifty cents per ton. No other methods of taxation were devised by the first Congress.

The tariff and tonnage duties did not bring in enough money to the treasury, and when Congress

convened the second time, members all saw the necessity of devising some method of increasing the revenue. The subject of excise or internal revenue was taken up and discussed long and earnestly. It was proposed to levy an excise or revenue tax on spirits, but there was considerable objection made to this mode of taxation by the representatives from North Carolina, Georgia and Pennsylvania. Madison declared that he preferred direct taxes, but thought the people would not submit as graciously to direct taxation as they would to excise duties on spirits. In due time a bill was passed by the House requiring the payment of a revenue tax of nine and eleven cents per gallon on all distilled spirits, according to the grade. The bill was passed in March, 1791, and Congress immediately divided the country into districts and appointed a supervisor for each district with power to appoint deputies to aid him in collecting duties. This was the beginning of our great system of internal revenue taxes, and Congress never adopted a wiser or more judicious law, and it is strange it met with so much opposition in some States.

The law seemed to be particularly obnoxious to the people of Western Pennsylvania, and the distillers in that part of the State refused to pay the

tax. Meetings were held throughout that part of the country, and resolutions passed condemning the law. Some of the resolutions criticised and abused the revenue collectors for attempting to enforce the law, and the officers were intimidated to such an extent that in some of the districts they became frightened and resigned their offices.

Alexander Hamilton, who was then Secretary of State, wrote an address and endeavored by explaining the law, to pacify the discontented. But it did no good. Rebellion was abroad in the State of Pennsylvania. Many prominent and otherwise law-abiding people were bitterly opposed to the law. Even Abraham Gallatin, who afterwards was Secretary of State, and who eventually became a firm believer in internal revenue taxes, was at that time strongly opposed to excise duties. Hamilton, having tried in vain to pour oil on the troubled waters, the President then came forward with a proclamation, in which he exhorted all persons to refrain from any acts which would have a tendency to interfere with the enforcement of the law, and he called upon all law-abiding citizens and the local magistrates to aid in bringing offenders to justice. But the President's proclamation was also disregarded. The crisis had now come, and stringent

measures had to be adopted. A military force of fifteen thousand men was raised and placed under the command of General Henry Lee, who, in the autumn of 1794, marched into the rebellious district. On the approach of the troops the insurgents weakened, and the trouble ended. It is a curious fact, however, that the first internal revenue duty was enforced at the point of the bayonet. The internal revenue duty on spirits was in force, with some modifications, until 1802, when it was repealed. In 1794 a revenue duty was laid on carriages. This was an awkward and cumbersome tax, and as it was very unpopular with the people, it was soon repealed. In 1795 Congress levied a revenue tax on two other things—sugar and snuff. Sugar refined within the United States was required to pay a revenue tax of two cents a pound. Snuff, at first, was taxed eight cents per pound, but it brought in but little revenue to the treasury, owing to the fact that the revenue duties on this article were avoided. Snuff was made by the use of hand-mills which could be easily hidden, and as snuff is not a bulky article, it was not difficult to keep it out of the hands of the revenue collectors. As the revenue tax on snuff brought but little returns to the government, the law was repealed, and a tax

then levied on the mills engaged in making snuff. The result was that a much better income was received than before. In some way, and as a sort of bounty to the owners of the snuff-mills, a drawback of six cents per pound was allowed them on all exported snuff. The manufacturers found that it paid them better to sell all their snuff in foreign markets, for in addition to the prices obtained abroad, they received the drawback of six cents per pound from the government. This drawback operated as a bounty, and the money withdrawn from the treasury to pay this allowance was greater than the whole amount derived from the revenue tax on this article. The bounty system being expensive, and as the tax on the snuff-mills was unequal, owing to the smaller ones being unable to turn out as much snuff as the larger ones, and as it had been found difficult to collect a revenue on the manufactured article itself, Congress repealed all the internal revenue taxes on snuff.

In 1798 the Committee of Ways and Means recommended to Congress that \$2,000,000 be raised by a direct tax apportioned among the States in accordance with the provisions of the constitution. Congress acted on the advice of the committee, and the recommendation became a law. The bill was

passed largely out of deference to those who believed in direct taxes, and who insisted that the government should early make a precedent of direct taxation in order that it might be readily resorted to in time of need without complaint from the people. And then it must be remembered that there were a considerable number of influential persons at this time who believed that direct taxes having been provided for in the constitution, should at all times be one of the methods employed in securing a revenue for the government. An able financier of the day, in writing on this subject, said, "Unless there shall be a direct taxation which shall affect every man of property, the people in general in this country will not have the least apprehension of the existence of a national government, and consequently have no regard for it."

Early in Jefferson's second administration it became evident that a war with Great Britain was among the possibilities. Gallatin, who was then Secretary of the Treasury, in his report to Congress for 1807, pointed out the necessity of increasing taxation in order that the government might be more fully prepared in the event that war should be declared. He favored increasing the import and internal revenue duties, and suggested the advisa-

bility of laying direct taxes. The advice was not heeded at the time. But the war of 1812 came, and with it the necessity of providing funds with which to prosecute it. The customs duties, which had been slightly increased from time to time since 1789, were now doubled, and the internal revenue taxes which had been repealed in 1802 were again re-imposed. These taxes, however, were not sufficient to meet the emergencies of war, and in 1814 the second direct tax in the history of the union was laid and apportioned among the States. This time the bill called for \$3,000,000. The return of peace brought the abolition or reduction of most of these taxes, except the duties on imports. Two years after, in 1816, the customs duties were slightly increased. In debating the bill to raise the duties it was openly declared that the purpose of the measure was to protect American industries. This may be said to be the first real protective tariff bill passed by Congress.

Again, in 1824, the country was treated to a new tariff adjusted with the idea of a still further protection to American manufactories. The average rate of duty, by this measure, was raised to thirty-seven per cent. This strong protective policy greatly stimulated manufacturing industries. To

own and operate a mill was found to be profitable, and capital started many wheels. The result was that this industry was overdone and the country held an over-supply of manufactured goods. The manufacturers, not understanding the situation, asked for further protection, which they received in 1828. The bill which Congress passed in that year was known as the "Bill of Abominations." But it brought little relief to the manufacturers. The tariffs of 1816 and 1824 had filled the country with mills and overstocked the stores with manufactured goods. The result of this and the large amount of merchandise imported in anticipation of increase in prices, brought about a decline in prices, which at that time, seemed very strange, and many people were totally unable to understand it. Many importing houses failed and a number of manufactories collapsed.

The tariff of 1828 not having given satisfaction, and because the national debt was nearly paid, it was deemed necessary to reduce the duties. To this end a bill was passed in 1832 which placed tea and coffee on the free list, and reduced the tariff on some articles, but retained the protective features of the bill of 1828. The discussion of this measure was one of the most exciting that has ever been

held in Congress. It brought out the fact that the tariff is in a great measure a sectional question. The agricultural States, then as now, claimed that high protective duties was an unequal method of taxation and was a species of class legislation entirely in the interests of the manufacturing States. The Southern States, which were engaged in raising cotton and tobacco, were fierce in their denunciations of a tariff which they claimed was arranged entirely for the benefit of the New England manufactories. When the bill became a law it caused great dissatisfaction at the South, and the people of South Carolina, especially, were in such a tumultuous mood that they met in convention and resolved: "That the new tariff law of 1828, and the amendment to the same of 1832, are null and void and no law, nor binding upon this State, its officers or citizens." In Charleston, open resistance was threatened in case the revenue officers should attempt to collect the duties in that port. Jackson, who was then president, took a firm stand, and declared that the laws of the country should be enforced. He sent a war ship to Charleston harbor, and ordered General Scott to proceed with a body of troops to the rebellious city. The nullifiers, like any disorderly mob,

cooled down when confronted by civil authority, and the excitement soon passed away.

The following year a compromise was effected, and concessions made to the South. Henry Clay introduced and secured the passage of a bill which provided for a gradual reduction of the tariff duties until at the end of ten years they should reach the standard demanded by the South.

By the time the ten years were up the Clay Compromise Bill had brought down the duties to a low general average, the country seemed to be in a prosperous condition, and no material changes were made in the tariff until 1846. Robert J. Walker, who was then Secretary of the Treasury, was greatly in favor of simplifying the tariff duties, and in an able and elaborate report to Congress he laid down the following economical principles:

“ 1st. That no more money ought to be collected than was necessary for the wants of the government economically administered.

“ 2nd. That no duty should be imposed on any article above the lowest rate which would yield the largest amount of revenue.

“ 3rd. That below such rate discrimination might be made descending in the scale of duties, or, for

imperative reasons, the article might be placed in the list of those free from all duty.

“ 4th. That the maximum revenue duty should be imposed on luxuries.

“ 5th. That all minimums, and all specific duties, should be abolished, and ad valorem duties substituted in their place, care being taken to guard against fraudulent invoices and undervaluations, and to assess the duty upon the actual market value.

“ 6th. That the duty should be so imposed as to operate as equally as possible throughout the union, discriminating neither for nor against any class or section.”

Congress passed a bill in conformity with these principles, and no tariff law in this country ever gave such general satisfaction. The law remained in force with but little change for fourteen years. The general average of this tariff was about twenty-five per cent., and it brought in an abundant revenue. In fact, it far exceeded the needs of the government, although the Mexican war was begun and carried through while this law was in operation.

But the country was now soon to enter upon a new era of taxation. Congress found, when again called upon to revise the tariff, that it was confronted with the serious task of providing for the

expenses of a civil war. A bill increasing the customs duties and providing for a direct tax of \$20,000,000, and levying an income tax of three per cent. on all incomes exceeding \$800, was passed in 1861. A year after this another bill was passed providing for a still greater income to meet the exigencies of war. Internal revenue duties were levied upon almost everything, and an excise tax placed upon nearly every article to which a stamp could be attached. During the Civil War more than twenty-five acts on the subject of internal revenue were passed by Congress. The customs duties were increased from time to time until in 1864 they rose to an average of forty-seven per cent.

At the close of the war the internal revenue taxes were rapidly reduced, but the customs duties were left unchanged for some time. In 1870 the duties were lowered on tea, coffee and sugar, and a few articles placed upon the free list, but the duties were advanced on steel rails. In 1872, tea and coffee were placed upon the free list.

At every session of Congress for the next seven years efforts were made to reduce the duties, but only slight changes were made until 1879, when the duty was reduced on quinine. A horizontal reduction of ten per cent. was also made on cotton, iron,

wool, paper, glass and leather, but in 1875 the act was repealed and the old duties restored. The tariff now averaged about forty-five per cent., which was two and one-half per cent. less than the highest average tax during the war.

No further revision of the tariff was made until 1882, when public opinion became so strongly in favor of a tariff reduction that Congress appointed a committee to investigate the tariff law and make a report thereon. This committee, or commission as it was called, after eight months of traveling over the country and making inquiries as to the workings of the tariff, submitted their report to Congress. The report was voluminous, but it did not recommend any radical changes in the tariff schedule. As a result of the report of this commission, Congress passed a bill March 3, 1883, in which the duty on a number of articles was lowered, while the duty on wool, sugar, iron and steel was increased. On the whole, the tariff was raised, making the average duty about forty-six per cent. The law was very unsatisfactory to the people, and the subject was agitated for five years before Congress again made a serious attempt to grapple with the question. In 1888 a bill, called the "Mills Bill," was introduced in the House of Representa-

tives. This bill provided for a general reduction of duties, and placed wool, salt and lumber on the free list. After a lengthy and stormy debate the bill passed the House, but was defeated in the Senate.

On October 1, 1890, an act known as the "McKinley Bill" passed both houses, and became a law October 6th of the same year. The discussion leading up to this legislation was exciting and dramatic in the extreme. The friends of this measure boldly proclaimed that protection to manufactories was the chief end to be secured in tariff legislation, and that revenue to the government was a subordinate consideration. The tariff duties on tin, glass, woolens, silk and plush were measurably increased by this bill, raising the average duty to forty-seven per cent. The duties on certain imported articles were so much increased that merchants, knowing there would be an advance in home prices, hastened to lay in a large stock of goods before the higher duties came into force. The excitement attending this general speculation was intense; especially was this so in New York City, where the custom house was kept open until midnight of the day the law went into force. All day and late into the night of October the first the har-

bor was crowded with the incoming steamers, whose captains had rushed them across the ocean that they might have their ships and cargoes recorded at the custom house before the new law went into effect. The difference in the tariff of a shipload of goods was considerable to an importing merchant, hence the rush to be in before the new law and the higher duties were in force. A close call was made by Captain Haines of the *Etruria*, who entered the custom house rotunda at just one minute of twelve o'clock. Cheer after cheer went up after the captain handed his manifest to one of the clerks.

No tariff law ever created such an excitement as has this one. The question is being widely discussed from one end of the land to the other. In every debating society the question, "Resolved, that tariff duties be reduced," provokes exciting debate. The measure is now on trial before the American people, and it is difficult to tell what will be the result. It is the duty of every good citizen to study this question in a dispassionate manner, with the earnest hope that he may arrive at the truth.

CHAPTER III.

SOURCES OF FEDERAL INCOME.

THE income of the United States at the present time is derived entirely from indirect taxation, no direct taxes being levied. The different channels through which the annual income flows into the national treasury can be best illustrated by giving a summary of the revenues of the government from all sources for the fiscal year ending June 30, 1890:

From customs.....	\$229,668,584.57
From internal revenue.....	142,606,705.81
From profits on coinage, bullion deposits and assays,	10,217,244.25
From sales of public lands.....	6,358,272.51
From fees—consular, letters-patent and land.....	3,146,692.32
From sinking fund for Pacific railways.....	1,842,564.52
From tax on national banks.....	1,301,326.58
From custom fees, fines, penalties and forfeitures,..	1,299,324.52
From repayment of interest by Pacific railways....	705,691.52
From sales of Indian lands.....	372,288.15
From Soldiers' Home permanent fund.....	308,886.99
From tax on seal-skins.....	262,500.00
From immigrant fund.....	241,464.00
From sales of government property.....	192,123.99
From deposits for surveying public lands....	112,314.79
From depredations on public lands.....	35,852.37
From the District of Columbia.....	2,809,130.90
From miscellaneous sources.....	1,600,014.81
	\$403,080,982.63
Total receipts.....	

Four hundred millions of dollars is a great sum

of money, and the reader may wonder what the government needs of such a vast sum. It must be remembered that the national government must pay all its own officers from the president down to the humblest lighthouse keeper. A standing army and navy must be provided for, ministers and consuls must be maintained in foreign countries, and the pensions must be paid to the old soldiers of the late war. These are a few of the expenses which the government must annually provide for.

Although the object of this work is to treat strictly of the income of the United States, it may be of interest here to give a tabulated statement of the expenditures of the government for the same fiscal year that the table of receipts is given for:

For civil expense.....	\$ 23,638,826.62
For foreign intercourse.....	1,648,276.59
For Indian service.	6,708,046.67
For pensions.....	106,936,855.07
For the military establishment, including rivers and harbors and arsenals.....	44,582,838.08
For the naval establishment, including vessels, mach- inery and improvements at navy yards.....	22,006,206.24
For miscellaneous objects, including public buildings, lighthouses, and collecting the revenues.....	43,563,696.85
For the District of Columbia.....	5,677,419.52
For interest on the public debt.....	36,099,284.05
For deficiency in postal revenues	6,875,036.91
Total expenditures.....	\$297,736,486.60

From the first table given it appears that the income of the United States is not wholly derived from taxation. The amount received from the sales of public lands is not a tax in the true sense of the word. The public lands, of course, belong to the people, and the greater part of these lands were purchased with their money, which had been previously derived from them by taxation, yet much of the public domain was purchased at a nominal figure, and, as it has always been sold at an advanced price, it can hardly be said that the money derived from the sale of the public lands can be classified as an income derived from taxation.

It will also be seen from a glance at the first table given above that the greater part of our national income is derived from the customs duties, or the tariff tax, and from the internal revenue tax. As these two methods of taxation are the chief sources of the government income, and as they are the most complex in operation and the most difficult to understand, considerable space will be devoted to the consideration of these two subjects.

CHAPTER IV.

COLLECTION DISTRICTS AND CUSTOM OFFICERS.

PORTS of entry and delivery are established by Congress. A collection district consists of a port of entry and the ports of delivery that belong to it. For instance, the district of Providence has been mapped out by Congress as follows:

“The district of Providence to comprise all the waters and shores northward of a line running nearly a northeast course from the south end of Warwick Neck to the south end of Rumstick Point at high-water mark, and so much of the Narragansett Bay and the shores in the State of Rhode Island and Providence Plantations, as are within the county of Kent, including the port of East Greenwich and that part of Warwick lying upon Greenwich Bay; in which Providence shall be the port of entry, and Pawtuxet and East Greenwich ports of delivery.”

Vessels coming into a collection district must first “enter” at a port of entry, by delivering manifest and clearance papers to the collector of the district, before proceeding to a port of delivery.

Vessels must enter and clear at ports of entry, but may unload at any port of delivery within a district.

Section 233 of the United States Statutes provides that: "There shall be at the seat of government an Executive Department, to be known as the Department of the Treasury, and a Secretary of the Treasury, who shall be the head thereof." All taxes due the United States must be finally settled and adjusted in this department. The Secretary of the Treasury directs the superintendence of the collection of all government taxes. The Secretary must from time to time prepare plans for the improvement and management of the revenue, and for the support of the public credit. He must prescribe the forms of keeping and rendering the public accounts. He must also prescribe the regulations for carrying out the provisions of law relating to raising a revenue from duties on imports, and for enforcing the provisions of the internal revenue law.

Collectors are appointed for a term of four years, and their salary depends upon the district to which they are appointed. The collector for the port of New York receives almost as much as the President of the United States.

At ports where there are a collector, naval officer and surveyor, it is the duty of the collector:

First. To receive all reports, manifests, and documents to be made or exhibited on the entry of any ship or vessel, according to regulations.

Second. To record, in books to be kept for that purpose, all manifests.

Third. To receive the entries of all ships or vessels, and of the goods, wares and merchandise imported in them.

Fourth. To estimate, together with the naval officer, where there is one, or alone where is none, the amount of the duties payable thereupon, indorsing such amount upon the respective entries.

Fifth. To receive all moneys paid for duties, and to take all bonds for securing the payment thereof.

Sixth. To grant all permits for the unlading and delivery of goods.

Seventh. To employ, with the approval of the Secretary of the Treasury, proper persons as weighers, gaugers, measurers and inspectors, at the several ports within his district.

Eighth. To provide, with the like approval, at the public expense, store-houses for the safe-keep-

ing of goods, and such scales, weights and measures as may be necessary.

Naval officers appointed for duty at ports of entry are under the direction of the collectors, and their duties are as follows: To receive copies of all manifests and entries; to estimate, together with the collector, the duties on all merchandise subject to duty; to keep a separate record of such estimates; to countersign all permits, clearances, certificates, debentures, and other documents, to be granted by the collector, and to examine the collector's abstract of duties, and other accounts of receipts, bonds and expenditures, and certify the same if found to be correct.

The surveyor is the third officer in power at a port of entry, and he is, in all cases, subject to the direction of the collector. The following are the duties of the surveyor:

First. To superintend and direct all inspectors, weighers, measurers and gaugers within his port.

Second. To report once in every week to the collector the name or names of all inspectors, weighers, gaugers or measurers who are absent from or neglect to do their duty.

Third. To visit or inspect the vessels which arrive in his port, and make a return in writing

every morning to the collector of all the vessels which have arrived from foreign ports during the preceding day; specifying the names and denominations of the vessels, the masters' names, from whence arrived, whether laden or in ballast, to what nation belonging, and, if American vessels, whether the masters thereof have or have not complied with the law, in having the required number of manifests of the cargo on board, agreeing in substance with the provisions of law.

Fourth. To put on board of each such vessel one or more inspectors immediately after their arrival in his port.

Fifth. To ascertain the proof, quantities and kinds of distilled spirits imported, rating such spirits according to their respective degrees of proof, as defined by the laws imposing duties on spirits.

Sixth. To examine whether the goods imported in any vessel, and the deliveries thereof, agreeably to the inspector's returns, correspond with the permits for landing the same; and if any error or disagreement appears, to report the same to the collector, and to the naval officer.

Seventh. To superintend the lading for exportation of all goods entered for the benefit of any drawback, bounty or allowance, and examine and

report whether the kind, quantity and quality of the goods, so laden on board any vessel for exportation, correspond with the entries and permits granted therefor.

Eighth. To examine, and, from time to time, and particularly on the first Mondays of January and July in each year, try the weights, measures and other instruments used in ascertaining the duties on imports with standards to be provided by each collector, at the public expense, for that purpose; and where disagreements or errors are discovered, to report the same to the collector; and obey and execute such directions as he may receive for correcting the same, agreeably to the standards.

General appraisers. The President, by and with the advice of the Senate, appoints four general appraisers. whose duty it is to travel from port to port and supervise the appraisement of merchandise. The object of this is to secure uniformity in the appraisement of dutiable goods. The general appraisers receive monthly reports from the local appraisers of the valuation that they have placed upon leading articles of import in their respective ports. The general appraiser must assist the local appraiser by conference and advice, and keep the local appraiser informed in regard to the ruling

prices of export commodities in the leading markets of the world. These general appraisers are each assigned to certain territory, and once in every four months they come together in New York and compare the results of their inquiries. If they find any variations in methods of appraising dutiable values they make a report of the same to the Secretary of the Treasury.

Local appraisers are appointed by the collector of a port, and it is their duty, under the direction of the collector, to correctly ascertain, by all reasonable means, the quantity, character and actual foreign value of merchandise on the day of exportation to the United States. Upon this finding is based the classification by which duties are assessed.

Inspectors are appointed by the collector of a port, but they are under the direction of the surveyor. Inspectors are required to wear uniforms, and the badge of their office must be conspicuously displayed. It is the duty of the boarding inspectors to board all vessels arriving from foreign ports, and, after ascertaining the name of the vessel and master and port of departure, to examine the documents relating to the vessel and crew, and certify the manifest of cargo, verifying the same by actual examination, and to seal or otherwise secure

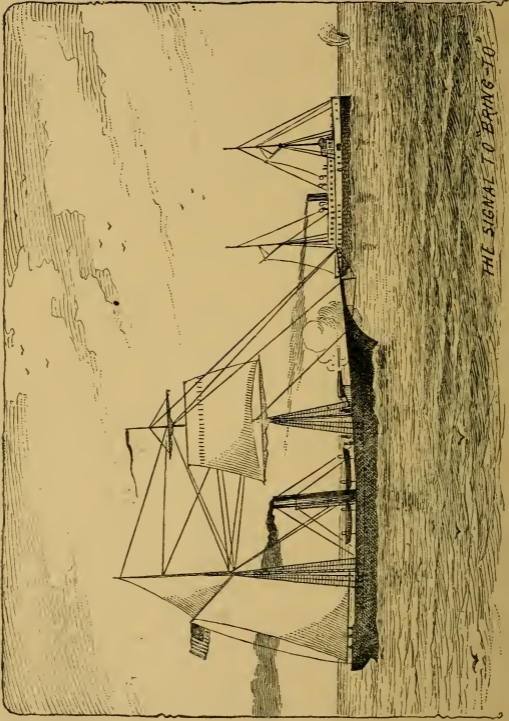
the hatches and openings till the necessary permits for unloading can be granted and a discharging officer assigned to the vessel.

Discharging inspectors are assigned to vessels for the purpose of examining the cargoes of such vessels, and to superintend the unloading and storing or delivery of the goods, in such manner and under such safeguards as will prevent loss to the revenue of the United States by failure to secure any lawful duties accruing on such goods.

Weighers are appointed by the collector, but are assigned to duty by the surveyor. Weighers are required to weigh dutiable goods when, for the purpose of ascertaining the duties thereon, it is necessary to weigh such goods. The weigher is furnished with a blank-book, in which he records daily an entry of goods weighed. As soon as a cargo of merchandise has been weighed, the weigher must make an immediate report to the collector's office, in order to facilitate the prompt liquidation of duties. The scales employed at most ports of entry are an old-fashioned pattern, with beams and weights. The weighing of a ship's cargo on these scales is a tedious task.

Gaugers are appointed by the collector of a port, but they are also under the direction of the sur-

veyor. It is the duty of gaugers to be present when gaugeable goods are being unloaded from vessels. They must gauge and measure all liquid cargoes, such as oils, syrups and wines, which come as imports from foreign countries. In order to facilitate the assessment and payment of duties, gaugers must make a special return to the collector of the quantity embraced in each cargo, as soon as possible after the same shall have been ascertained.



THE SIGNAL TO BRING-TO.

THE SIGNAL TO "BRING-TO,"

CHAPTER V.

THE REVENUE MARINE.

A VERY important factor in the collection of the custom duties is the revenue marine.

The tariff duty was imposed in 1789, and within a year afterward smuggling had become so common that Congress, at its next session, found it necessary to devise some method for protecting the revenue on the Atlantic coast. Under the title of an act "to provide more effectually for the collection of the duties imposed by law on goods, wares and merchandise imported into the United States," the following law was passed August 4, 1790:

"Be it enacted, that the President of the United States be empowered to cause to be built and equipped so many boats or cutters, not to exceed ten, as may be necessary to be employed for the protection of the revenue, the expense whereof shall not exceed ten thousand dollars, which shall be paid out of the product of the duties on goods, wares and merchandise imported into the United States, and on the tonnage of ships or vessels.

“ And be it further enacted, that there shall be to each of the said boats or cutters, one master and not more than three mates, first, second and third, four mariners and two boys; and that the compensation and allowances to the said officers, mariners and boys, respectively, shall be, to the master thirty dollars per month, and the subsistence of a captain in the army of the United States; to a first mate, twenty dollars per month; to a second mate, sixteen dollars per month; to a third mate, fourteen dollars per month; and to every mate the subsistence of a lieutenant in said army; to each mariner, eight dollars per month; to each boy, four dollars per month; and to each mariner and boy the same ration of provisions which is or shall be allowed to a soldier in the same army. The said allowances for subsistence to be paid in provisions or money at the contract prices, at the option of the Secretary of the Treasury.

“ And be it further enacted, that the officers of the said boats or cutters shall be appointed by the President of the United States, and shall respectively be deemed officers of the customs, and shall have power and authority to go on board of every ship or vessel which shall arrive within the United States, or within four leagues of the coast thereof,

if bound for the United States, and to search and examine the same and every part thereof, and to demand, receive and certify the manifests hereinbefore required to be on board of certain ships or vessels, and to affix and put proper fastenings on the hatches and other communications with the holds of ships or vessels, and to remain on board the said ships or vessels until they arrive at their places of destination."

The above was the law in full in regard to revenue cutters, as enacted one hundred and one years ago.

Since then many changes have been made in the service, although the object sought is still the same. The captain of a revenue cutter now receives a salary of twenty-five hundred dollars a year, which is quite an increase over the first amount paid to these officers.

There is something almost pathetic in the words, "to each boy four dollars per month" in the old law just quoted, and it brings vividly to mind the feeble condition of the thirteen colonies on the Atlantic coast, that were then just starting out as the United States of America. And one cannot help wondering what could have been the history of the boys, who, a century ago, endured the hardships of the revenue marine service for the sum of

four dollars per month. Life on a revenue cutter is not very pleasant on the modern boats, and it must have been much worse on the little old-fashioned vessels of that time.

In those days smuggling was carried on in a bold and piratical way. The smuggler was a brigand, who did not hesitate to use his sword should occasion demand. His craft, some nondescript schooner, with a wide expanse of sail, would hover around the New England coast waiting a favorable opportunity to put into some little nook and unload its cargo without the inconvenience of paying customs duties. Should this contraband vessel espy a revenue cutter bearing down upon her, she would seek safety in flight, and if overhauled would fight to a finish. Many are the tales told about the revenue-marine fights during the early history of this country. But the days of bold and piratical smuggling are over, and the officers and crew of a modern revenue cutter do not now engage in the hand-to-hand fights that were so common in the early history of the service. Smuggling, however, has by no means become a lost art; it is carried on more extensively than ever, but it has taken a new channel—a different direction. The smuggler no longer uses force; he resorts to strategy. He tries to avoid

duties by cunning and adroit methods. A vessel engaged in smuggling seeks to enter a harbor under a color of right. Sharp practice is resorted to now in place of the old way of force and fight. There is plenty of work for the modern revenue cutters to do. If it were not for these well-armed, swift-running vessels the harbors of the United States would be given over to smuggling, and but little duties on foreign importations would be collected.

The modern revenue cutter is a small, steel-armored steam vessel, built low in the water, painted black with white stripes around the guardways, and carrying several fine steel guns of long range. The vessels are built especially for speed, and besides being propelled by powerful engines, some of them carry, in addition, a large spread of canvas.

At present there are about forty revenue cutters in commission. The *personnel* of the service consists of 220 commissioned officers, 27 pilots and 815 seamen. The number of vessels boarded and examined last year was 23,161, of which number, 915 were found to be violating the law, by which they incurred fines and penalties to the amount of \$396,616. The expenditure on account of the revenue service last year amounted to \$937,033.67 of which \$17,272.81 was spent in enforcing the law

regulating the anchorage of vessels in the bay and harbor of New York.

When a revenue cutter has been placed in commission, it is assigned to a certain cruising ground, which the cutter must regularly patrol. When a revenue cutter is on duty the officers must keep a sharp lookout for stray or suspicious looking vessels. Large steamship vessels making directly for port are not always stopped by the cutter. Sailing vessels are usually hailed, and when a rakish looking craft appears above the horizon, the little black cutter makes directly for it, and when within hailing distance the pennant and ensign are displayed as a signal for the vessel to stop or "bring-to," as it is called in sailor language. If the vessel attempts to run away or refuses to bring-to, a gun is fired by the cutter as the second signal to stop. If the strange vessel should still refuse to bring-to, what would follow would largely depend on the temper and mettle of the commander of the cutter. The probability is that the guns of the government boat would be turned on the vessel in earnest, and an iron missile sent crashing through the hull of the disobedient ship. The commander would be justified in so doing, because the law provides that: "Whenever any vessel liable to seizure or examin-

ation does not bring-to, on being required to do so, or on being chased by any cutter or boat which has displayed the pennant and ensign prescribed for vessels of the revenue service, the master of such cutter or boat may fire at or into such vessel which does not bring-to after such pennant and ensign has been hoisted, and a gun has been fired by such cutter or boat as a signal; and such master, and all persons acting by or under his direction, shall be indemnified from any penalties or actions for damages for so doing."

When a vessel brings-to, a boat is lowered from the cutter, and several revenue officers are taken over to the ship and placed on board. It is their duty to search and examine every part of the vessel, and to demand, receive and certify the manifests required by law of every vessel coming to the United States. On sailing vessels, fastenings are put on the hatches and sealed in such a manner that they cannot be opened again without breaking the seals. This is done to prevent any goods from being taken from the vessel on its way into port and before it is under the control of the collector. Sometimes one of the officers from the revenue cutter is left on the ship, and he must remain on

board until the vessel arrives at the port of destination.

Should a vessel break bulk or land any part of its cargo before a permit has been granted by a collector, it is the duty of revenue cutters to arrest such vessels. Whenever a vessel is captured or arrested by a revenue cutter, it is the duty of the commanding officer to carefully preserve all papers and writings found on board the vessel, and to send them to the collector of customs at the nearest port of entry.

In addition to guarding the coast and enforcing the laws relating to customs duties, the revenue cutters are also required to protect the merchant marine of the United States should occasion require, and to render assistance to any vessel that may be in distress at sea. In giving aid to wrecked vessels, the revenue cutters coöperate and act with the life-saving service.

CHAPTER VI.

CLEARANCE AND MANIFEST.

WHEN a foreign vessel comes to this country it comes as an alien and a stranger. Its only rights are those which are secured to it by treaty, and it must come into port subject to the laws and regulations of the United States. A vessel coming from a foreign port must not make entry elsewhere than at one of the regular ports of entry as designated by law. When once a vessel arrives within the limits of a collection district, the master of the vessel must, within twenty-four hours after arrival, "enter" his vessel, that is, he must report to the collector of the district, delivering to him copies of his clearance papers and manifest. If a vessel, after having arrived in port, should depart, or attempt to depart, before entry has been made, the master of the vessel would be liable to a penalty of four hundred dollars. If the vessel should succeed in departing, a revenue cutter would be sent after it to arrest the vessel and bring it back. Whenever a vessel comes within four leagues of the United States coast it is liable to meet a revenue

cutter. If it does, and an inspector is placed on board, the master of the vessel must give him a copy of his manifest if the inspector should demand it.

When the vessel appears in the harbor of a port of entry, it is usually met by a revenue tug and two inspectors placed on board. This is done as a second preliminary in making the acquaintance of the visitor. The master of the vessel must also furnish to these inspectors a copy of his manifest. These inspectors usually remain on board until the ship lands and the cargo is unloaded.

Coming into port and giving a copy of the ship's manifest to the inspectors does not complete the "entry." To do this the master of the vessel or his agent must go to the custom house and deliver another copy of his manifest, this time to the collector of the port. He must also produce to the collector his clearance papers which were granted to him by the officers of the foreign port from which he sailed. He does this by depositing the clearance papers with the consul of the nation to which the ship belongs. The consul then gives the master of the vessel a certificate stating that the papers have been deposited in his office. This certificate of the consul is given by the master of

the vessel to the collector. The certificate is official evidence that the vessel is from the country it claims to be.

A clearance paper is a statement given to a vessel when it leaves a port and puts out to sea. All commercial countries grant these passports to outgoing vessels. These are a ship's credentials, and a vessel would no more put to sea without them than it would start without a compass. Without a clearance paper from its own country a vessel would be embarrassed at every port it entered. The clearance papers given to a master of a vessel are substantially the same, no matter by what country granted. These papers usually set forth the name of the ship, when and where built, number of tons burden, by whom owned, where bound and the name of the master in command.

A manifest is a declaration under oath of the amount of dutiable goods on board of a vessel. When a vessel comes to this country from a foreign port its manifest must conform to the regulations prescribed by the United States. The law declares that "no merchandise shall be brought into the United States from any foreign port, in any vessel, unless the master has on board manifests in writing of the cargo."

Every manifest required by this law must contain :

First. The names of the ports where the merchandise in such manifest mentioned was taken on board, and the ports within the United States for which the same are destined, particularly noting the merchandise destined for each port, respectively.

Second. The name, description, and build of the vessel; the true admeasurement, or tonnage, thereof; the port to which such vessel belongs; the name of each owner, according to the register of the same; and the name of the master of such vessel.

Third. A just and particular account of all the merchandise so laden on board, whether in packages or stowed loose, of any kind or nature whatever, together with the marks and numbers as marked on each package, and the number or quantity and description of the packages in words at length, whether hogshead, barrel, cask, keg, bale, pack, box, chest, or package of any kind or sort, describing the same by its usual name or denomination.

Fourth. The names of the persons to whom such packages are respectively consigned, agreeably to the bills of lading signed for the same, unless when

the goods are consigned to order, when it shall be so expressed in the manifest.

Fifth. The names of the several passengers on board the vessel, distinguishing whether cabin or steerage passengers, or both, with their baggage, specifying the number and description of packages belonging to each, respectively.

Sixth. An account of the sea-stores remaining, if any.

That part of the manifest which relates to the invoice of the cargo must be verified by the resident United States consul at the port from which such merchandise is shipped, if it comes from a foreign country.

It will be seen, from what has been said about clearance and manifest papers, that they are important documents in aiding the collector to properly assess the value of an imported cargo, and to compute the duties thereon. The clearance papers of a ship show to what nation the vessel belongs, and our treaty with that country is the guide the collector must follow in assessing tonnage or other special taxes.

If an English vessel should put into the port of New Orleans with a cargo of tobacco from Cuba, it would be allowed to enter and clear on the same

terms as a vessel belonging to a citizen of the United States, provided the master of the ship could show by his clearance papers that his vessel was an English ship, because our treaty with Great Britain places the vessels of that country on the same footing as a vessel belonging to this country. If a vessel belonging to citizens of the United States could show by its clearance papers that it belonged to this country, and from its manifest that it had been laden at Honolulu, it would be permitted to enter a cargo of sugar free of duty under our treaty with the Hawaiian government of 1875. A cargo of sugar shipped from Cuba in American vessels would, however, until recently, be subject to pay the import duties on that article.

Clearance papers are, therefore, of great importance in enabling the collector of a port to know under what treaty the vessel is permitted to enter, and the manifest being a statement of the cost of goods in the country from which they are imported, forms the basis upon which he must compute the duties.

CHAPTER VII.

WAREHOUSE AND BOND SYSTEM.

FOR ten years after the first tariff law was passed, duties had to be paid at the time the goods were imported. In 1799 an act was passed allowing fifteen days to vessels arriving from foreign ports to discharge their cargoes. At the expiration of that time, should there be any goods remaining on board, the collector was required to take and store them. The law provided, also, that, with the consent of the importer or master of the vessel, and after a five days' notice had been given to the collector, that he might take and store the goods. The same law provided that, where an importer did not wish to pay the duties at the time of importation, that he could give his bond, with security, to pay at some future time, when he withdrew his merchandise from where it had been stored by the collector. Goods thus bonded could remain in store nine months. If, at the end of that time, any goods should remain upon which the duties had not been paid they were advertised and sold. The proceeds of the sale went, first, to paying the custom

dues, and the remainder, if any, was returned to the owner of the merchandise.

This system of allowing merchandise to remain stored in warehouse under bond, until the owner was ready to withdraw it for sale, was extended and developed as commerce grew, until, in 1854, Congress passed a law establishing private bonded warehouses. This law provided that a merchant could import goods and place them, under certain regulations, in a warehouse of his own, giving a bond as security for the payment of the duties when the goods were withdrawn from the warehouse.

At the present time warehouses for the storage of imported dutiable goods are known and designated as government public stores, government warehouses, private bonded warehouses, bonded yards and sheds for the storage of heavy and bulky imported goods, and bonded manufacturing warehouses.

The public store is where seized and unclaimed goods are stored until claimed and duties paid. Government warehouses are those which are owned by a stock company and are used for the general storage of all imported merchandise. A company desiring to operate a bonded warehouse must first make application in writing to the collector of the

port, describing the premises, the location and capacity of the same, and setting forth that merchandise consigned to any one may be stored in such warehouse. If the collector finds, on investigation, that the public interest will be subserved thereby, the application will be granted. The company must then enter into a bond conditioned to comply with the laws regulating warehouses, to pay to the collector of the port the salary of the officers of the customs who are assigned to take charge of imported merchandise while stored in their warehouse, and that they will not allow any goods or merchandise to be removed from the warehouse without lawful permit. The rates of storage in these bonded warehouses belonging to stock companies are such as may be agreed upon by the owner or importer of the goods and the proprietors of the warehouse.

Private bonded warehouses are such as are not rented to other parties for storage purposes, but are used entirely and exclusively by the owner for the storage of his own imported merchandise. He must give a bond exonerating and holding harmless the government from any risk, loss or expense of any kind connected with depositing merchandise in such a warehouse. The building is under the joint

control of the owner and a government officer, and the owner must pay to the collector the salary of the customs officer who is assigned to duty at his warehouse.

These bonded warehouses, whether owned by companies or private individuals, are all subject to the same general regulations. All bonded warehouses and public stores, including those occupied by the appraisers, are placed by the collector in the custody of officers designated for the purpose, and known as storekeepers, who keep the keys of the building and personally superintend the opening and closing of the doors and windows. They must not permit goods to be received at the warehouse, nor to be sampled or packed, except in their presence, or the presence of some person designated as an assistant by the collector, nor without a written order from the collector. They must keep an accurate account of all goods received, delivered and transferred, and of all orders for sampling, packing and repacking. They must also make daily returns of all business transacted, and must inform the collector of any infraction of the warehouse regulations, whether by inspectors or other persons.

An office for the accommodation of the owner or

occupant of a warehouse is allowed, but the office must be separated from the rest of the store by a permanent partition. The office can be entered only from the outside, there being no connection between the office and the rest of the store. The object of this arrangement is to prevent the owner from having access to the store except when in company with an officer.

When a merchant imports a cargo of goods which he does not wish to place immediately upon the market, he can store his merchandise in his own bonded warehouse, if he has one, or in a public bonded warehouse, by getting a permit in either case to do so, and by giving a bond to secure the payment of the duties. The bond is to the effect that if the merchandise be withdrawn within three years from the date of importation and the duties paid, then the bond is to be void. If merchandise is removed within a year after being placed in bond, then only the regular duties are imposed, but if it remains in bond longer than one year an extra charge of ten per cent. upon the regular duties is added. All merchandise placed in a bonded warehouse must be withdrawn within three years, or the goods will be sold to pay the duties.

After the merchant has given bond and it has

been approved, the collector will issue a permit, which must be signed by the naval officer, directed to an inspector directing him to send the goods to the warehouse named in the permit, with the exception of such parts of the goods as may be designated for examination and which are sent to the appraiser's store. When the samples designated by the collector on the permit, and ordered to the appraiser's store, shall have been reported as examined, the collector directs that they be returned to the warehouse where the goods of which they are a part have been stored.

When goods are conveyed from the vessels in which they were imported to the warehouse, they must be conveyed in bonded carts or lighters. The owners of these carts or lighters give bond to faithfully convey merchandise from the wharves to the warehouses according to the prescribed regulations. On every bonded cart or conveyance there must be painted the name of the person or firm to whom the vehicle belongs and also the number of the custom house license. When conveying goods from a vessel to a warehouse these carts proceed with great regularity. The discharging inspector makes out a ticket describing the contents of a cart and gives it to the driver of the cart as he leaves

the dock. This ticket is numbered, and the cart must appear in its proper turn at the warehouse. Upon delivery of the merchandise at the warehouse, the ticket must be signed by the storekeeper or other officer in charge, and be returned by the cartman, who is required to deliver the receipt to the inspector in charge of the ship.

Manufacturing bonded warehouses are used by manufacturers who import certain dutiable goods that are used in making other articles which they export. A manufacturer of patent medicines has a right, under certain regulations, to import drugs free of duty to be used in the manufacture of the medicine he exports, but of course he cannot import drugs free of duty to be used in compounding medicines which are sold in this country.

Now the government must have some means of ascertaining whether a manufacturer uses the articles he imports only in making the articles he exports, or whether he uses part of the articles imported free of duty in the manufacture of goods which he sells in this country. To do this the government requires that the manufacturer who desires to avail himself of the privilege of importing dutiable goods free of duty, must establish and maintain a bonded manufacturing warehouse. To do

this the manufacturer makes application to the collector of customs at the port where he proposes to engage in manufacturing, describing the nature of the business he wishes to engage in, the kind of articles he intends to manufacture, and the kind of articles he intends to import and use. This application, accompanied by a bond, is sent to the Secretary of the Treasury. If he grants the application and approves the bond, the manufacturer may begin business at any time. These warehouses are in the custody of the collector of customs, who assigns an officer to take charge of the building. The salary of this officer must be paid by the company operating the warehouse.

Before beginning operations, the proprietors must file with the Secretary of the Treasury a list of all the articles intended to be manufactured, and the names of the ingredients entering into their composition. The warehouse must also be arranged according to the regulations prescribed by the Treasury Department. The building must be divided into two main compartments, one of which must be used exclusively for the storage of the imported articles used in manufacturing goods for export, and the other must be used exclusively for

the storage of articles that are manufactured and put up for export.

When the manufacturer imports dutiable goods free of duty to be used in his warehouse, he must give a bond that the imported merchandise will be exported in manufactured articles within three years from the time of importation. Unless the articles thus imported are exported within the time named, the manufacturer must pay the duty on them.

When the manufacturer desires to withdraw articles from the warehouse for exportation, he makes out an entry for withdrawal, naming and numbering packages and giving their value. He must then swear to a statement that the merchandise described in the entry is truly intended to be exported to a foreign country. In addition to this he must give bond that he will ship the merchandise to a foreign country. The bond is given for twice the value of the goods, and the condition is that if the merchandise be actually exported and landed abroad, then the obligation is to be void, otherwise, to remain in force. The evidence of having landed such goods in a foreign country is required before the bond is canceled.

Transportation in bond is a system by which merchandise is transported from a warehouse in one

collection district to a warehouse in another district, and it is also the system by which merchandise is transported from a port of entry at the sea coast to an inland custom district. Common carriers, such as railroad and transportation companies, in order to convey dutiable merchandise from one collection district to another, must give security in the nature of a general transportation bond. This bond must be signed by two sureties and conditioned that the company will transport and deliver all merchandise received by them for transportation in bond to the proper officer of the customs at the place of destination.

By this system, when goods arrive by vessel in New York, consigned to a firm in St. Louis, they can be sent without appraisement and without delay straight through to St. Louis. This is called immediate transportation in bond. Merchandise can also be shipped from Europe through the United States in bond to Mexico or Canada. If goods are shipped by car load, each must be fastened and sealed. Goods shipped in smaller quantities, such as barrels, casks, bales and packages, must be corded and sealed. On the arrival of the merchandise at the last port in the United States, just before entering the foreign territory to which they are

consigned, they are stopped for the purpose of inspection. If the collector at this last port finds that the merchandise corresponds with the manifests of the same, and that the seals of the cars and packages are all in good condition and have not been tampered with, he issues a certificate permitting the goods to pass out of the United States and be taken on their way to the place of destination.

CHAPTER VIII.

APPRAISEMENT AND PAYMENT.

WHENEVER merchandise arrives within a port of entry the duties become due at once, and the government immediately takes steps to insure the payment of the same. The liability for duties, attaching on importation, constitutes a personal debt to the United States, which can be enforced against the importer if he is worth enough to make the collection good. If not, the government considers that it holds a lien upon the imported goods until the duty is paid or the importer gives an approved bond guaranteeing the payment of the same.

The first thing done after merchandise has been landed is to appraise it for the purpose of assessing the correct duty. Section 2902 Revised Statutes provides that: "It shall be the duty of the appraisers of the United States, and every of them, and every person who shall act as such appraiser, or of the collector and naval officer, as the case may be, by all reasonable ways and means in his or their power, to ascertain, estimate, and appraise the true and actual market-value and wholesale

price of the merchandise at the time of exportation, and in the principal markets of the country whence the same has been imported into the United States."

Herein is one of the great difficulties of properly assessing the value of imported merchandise. It is hard to get at the first wholesale cost of goods manufactured in a foreign country. The result is that the appraiser usually goes by the invoice price. But a much greater difficulty lies in the way of correct appraisement than that of ascertaining the first cost of the article. It is the trouble that appraisers sometimes experience in properly classifying some articles. While the tariff schedule is very complete, and names almost all kinds of merchandise, yet it often happens that it is difficult to tell under what head to class a manufactured article.

The rule in such cases is that when an imported article is not enumerated it must pay the same duty as the article it most resembles, and if two or more rates of duty shall be applicable to any imported article, it shall pay duty at the highest of such rates.

As an illustration of the strange things that happen in attempting to classify some articles, it is only necessary to refer to such a common article as beans. Common vegetable beans were not men-

tioned in the tariff law of 1883, and for several years there was much difficulty experienced in endeavoring to classify them. The question was whether beans were to be classed as garden seeds or as vegetables, or whether they should come in free of duty under the provisions of paragraph 636. If they were garden seeds they were dutiable at 20 per cent., but if they came under the head of vegetables, then the duty was only 10 per cent. The department decided, November 27, 1883, that beans were exempt from duty. On March 28, 1884, the department made another decision, holding that beans were dutiable at 20 per cent. *ad valorem*. Again, on June 1, 1885, another decision was made, this time that beans were dutiable at 10 per cent. *ad valorem* as vegetables. Strange as it may seem, all these decisions were under the same law.

Under the same tariff law much trouble was experienced in properly assessing the duty on imported albums. There was a duty on paper, a duty on leather and a duty on metal, but albums were not specified. They were finally made dutiable under the head of paper as that was the chief material of which they were composed. The new tariff law of 1890, however, provides for a duty on

beans and also on albums. These instances are given merely to show the difficulties the appraisers and inspectors experience in properly classifying merchandise.

The new law of 1890 makes elaborate distinctions in different grades of wool. The appraisers are finding great difficulty in deciding to what class certain grades of wool belong. By referring to section 375 of the tariff schedule the reader will see that wool is divided into three classes. To aid the appraisers in classifying and assessing the value of wool, the Secretary of the Treasury furnishes them with samples of each of these three grades. Even with the help of these standards the appraiser is often at a loss to know under what class to place some of the wools that are imported. But this is not all his trouble. Under the sorting clause of the tariff act (see paragraph 383) it is provided that when wool has been sorted or increased in value by the rejection of any of the original fleece it shall be subject to twice the duty to which it otherwise would. The manufacturers of woollen goods claim that this sorting clause does not apply to third-class wools, because they are already a low grade wool, and rejecting some of the coarser parts should not subject this grade of wool to the

penalty of paying the extra duty. The manufacturers, of course, are interested in procuring wool as cheaply as possible.

It will be seen by referring to paragraphs 385 and 386 of the tariff law, that wools of the third class, worth only thirteen cents per pound, shall pay a duty of 32 per cent., while wools of the third class, worth more than thirteen cents per pound, shall be subject to a duty of 50 per cent. Now, the object of the importer is to sort the wool worth more than thirteen cents per pound into two parts, one of which will be worth a little less than thirteen cents per pound, and the other, a little more than that price. By this arrangement he is able to bring in part of his wool at a duty of 32 per cent., and the other part, at a duty of 50 per cent., whereas, if he had imported the wool without sorting it into two classes, he would have had to pay 50 per cent. on the whole amount. But the sorting clause of paragraph 383 says, that the part of the wool increased in value by the rejection of the poorer part, shall be subject to twice the regular duty. If this is enforced against the third-class wools, the importer would have to pay a duty of 100 per cent., instead of 50 per cent. on the part worth more than thirteen cents per pound. It is to the interests of importers and

manufacturers to secure wool as cheaply as possible, and hence the reason for their claim that third class wools should not be subject to the provisions of the sorting clause. On the other hand, the wool-growers are interested in keeping up as high a tariff as possible on wool, and they insist that the sorting clause applies to the third-class wools. There is a great deal of wrangling going on about the matter, both sides trying to befuddle the appraisers and collectors, who are having a hard time to interpret the meaning of the tariff schedule in reference to wool. Up to date, the matter has not been definitely settled, and it will probably take two or three decisions of the Treasury Department before the question is properly settled. This subject of third-class wools and the sorting clause, will show the reader the complications and difficulties in the way of classifying and assessing the duty on some articles.

After the merchandise is appraised and the duty assessed, if the owner is dissatisfied with the classification and valuation he may appeal to the board of general appraisers. The general appraisers are nine in number and are appointed by the President. They have a general supervision over appraisements and classifications, for duty, of imported merchandise. If the importer is dissatisfied with

the decision of the board of general appraisers he may, within thirty days after such decision, apply to the Circuit Court of the United States within the district in which the matter arises, for a review of the questions of law and facts involved in such decisions. The court then orders the board of appraisers to return to the said Circuit Court the record and evidence taken by them, together with a certified statement of the facts involved in the case, and their decision in the matter. The court then proceeds to hear and determine the questions of law and facts involved in the decision made by the appraisers. The decision of the court is final, unless the court shall be of the opinion that the questions involved are of such importance as to require a review of such decision of the Supreme Court of the United States, in which case the court or the judge making the decision may allow an appeal to be made.

In addition to ascertaining the value of imported merchandise, the appraiser, in assessing duties, must sometimes take into consideration what is known as tare, wantage, leakage and drawback. Tare is an allowance for the weight of the box, cask, bag or package containing the dutiable article. Wantage or leakage is a deduction made from the amount

stated in the invoice when there is proof of loss in quantity having been sustained by reason of breakage or leakage. Drawback is an allowance for imported goods upon which a duty has been paid, when used in manufacturing an article that is exported. A drawback is allowed on salt which has been imported and is used in curing meats, upon proof that the meat has been exported. The importer first pays the duty on the salt, but afterward, when it is again exported as part of cured meats, the duty is refunded. In the same way a drawback is allowed on imported tin plate used in the manufacture of cans and boxes when exported.

All duties upon imports must be collected in ready money, and paid in coin or in United States notes, payable on demand. If a bond is given to insure the payment of duties, merchandise may be stored in a bonded warehouse, and the duties paid on removing the goods therefrom, which must be within a period of three years.

CHAPTER IX.

HOW DUTIES ARE COLLECTED.

THE collection of tariff duties being a subject but little understood, the object of this chapter will be to take up the scattered threads of information as given in previous chapters of this book, and weave them into an account of an importation of merchandise, illustrating by this means the methods employed in collecting the customs tax. For this purpose let us follow a ship load of merchandise from a foreign port to this country, and follow the cargo through the custom house until the duties are paid, and then, returning to the wharf, let us watch the passengers and immigrants on an incoming steamer from the time the vessel lands until the traveler's baggage is examined and the duties paid.

The foreign merchant wishing to ship goods to his agent, or to an importing merchant in this country, must make out an invoice of the merchandise he wishes to export and then go before the United States consul, who resides in the country from which the goods are to be shipped, and make oath that the invoice is a correct statement of the

merchandise he intends to export. This affidavit, when indorsed by the consul, is called a "consular certificate," and is attached to the invoice. Three of these invoices are made out, one of which is kept by the consul, one sent to the collector of the port to which the goods are being shipped, and the other one given to the exporting merchant who sends it to the importing merchant in this country. The invoice, with the consular certificate, which goes to the collector of the port to which the goods are consigned, is taken by the captain of the vessel carrying the freight. The captain attaches the invoice to his clearance papers and other ship documents, and calls the whole his "manifest."

There is seldom any difficulty about the foreign merchant finding an American consul to approve of his papers, because there is hardly a foreign seaport but has a resident United States consul. If there is no consul living at the port from which the merchandise is to be shipped, then the foreign merchant may go before the nearest resident consul, or he may enter his goods on what is known as a "proforma" invoice, which is explained in another chapter of this book.

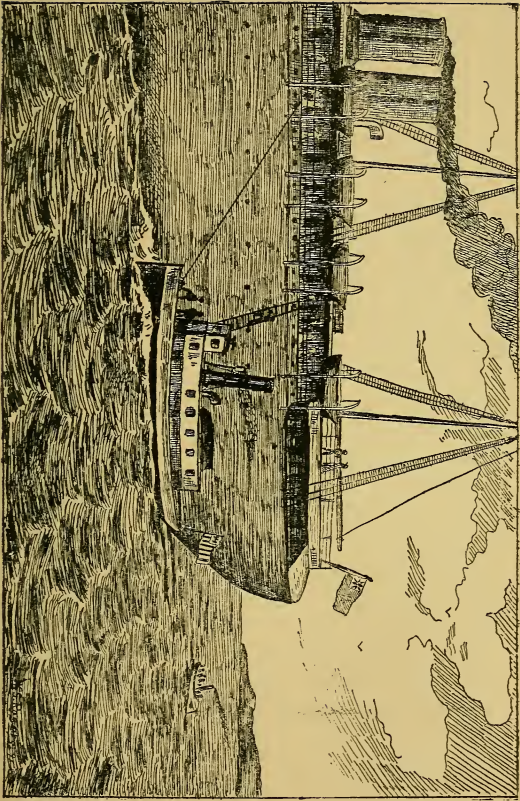
When the vessel, laden with her cargo, nears the United States, and comes within four leagues of the

shore, its first experience is with the revenue cutters which patrol the coast. If our incoming ship is in the beaten track and is headed for some port of entry, the revenue cutter that it meets will probably let the vessel pass on its way with no more attention than having been carefully scrutinized through the spy-glass of the naval officer in command of the revenue cutter. If, however, the merchant vessel should be out of the regular course, or should the officers on board the government boat have any reason to suspect the approaching ship, up would go the revenue flag and the vessel would be signaled to stop. If the signal should be unnoticed or unheeded, the revenue boat would fire a gun as a more emphatic signal for the visitor to come to a halt.

When the approaching vessel comes to a stop, or, what is more generally the case, slackens her speed, officers are sent from the revenue cutter to board the merchant ship. If everything is found to be all right, the vessel is permitted to go on its way. But if the ship's manifest is not regular, and there is reason to suppose that crooked work may be going on, the naval officers accompany the vessel to a port of entry and turn her over to the proper authorities.

Whether or not our vessel is stopped out at sea

INSPECTORS BOARDING A VESSEL.



by a revenue cutter, it must come to a halt when it reaches quarantine, which is always situated at the outer entrance of a United States seaport. After the inspection of the crew and passengers, if no infectious diseases be found among the number, the vessel is allowed to enter the harbor. But the vigilance of the government is not yet exhausted. Besides passing the revenue cutters, which act as sentinels outside the harbor, and besides being delayed at quarantine to undergo a searching examination by the health officers, the vessel is yet to meet one of the little revenue tugs or "boarding vessels" as they are called, which are always on duty at important ports of entry.

As soon as the incoming vessel appears in the harbor the little revenue tug steams up and dashes out to meet the visiting ship. Swinging gracefully around, the revenue tug takes after the big vessel and pulls up alongside of it, both boats running slowly and in the same direction. A ladder is pushed from the pilot house of the tug to the deck of the ship, and in a twinkling two inspectors are aboard the merchant ship. The ladder is withdrawn, and the revenue tug slips quickly away and goes to meet another vessel, if there be one in sight, or returns to its pier.

The inspectors placed on board the ship accompany the vessel to its landing place. Their business is to see that nothing is taken from the ship except in the regular way as provided by law. From the time these inspectors are placed on board the ship, the vessel and its cargo are under the charge of these customs officials or other inspectors who take their places to relieve them at night, until the vessel is unloaded and the customs duties assessed and paid, or until payment is guaranteed

When the vessel arrives the captain immediately goes to the custom house and has his ship entered. He delivers to the collector his manifest, which, besides containing his clearance papers and a list of his crew and passengers, if there should be any, also includes the invoice of goods sent to the merchant in this country, which, it will be remembered, was indorsed by an American consul in a foreign port before the goods were shipped to this country. The captain must make oath that his manifest is in every way correct, to the best of his knowledge and belief. These formalities having been gone through with, the collector issues a general order for the delivery of the cargo. But before the importing merchant or consignee can secure his goods he must go before the collector and secure a per-

mit allowing him to unload his freight from the vessel. To do this he takes the invoice and the bill of lading, which the exporting merchant in the foreign port has sent him, and attaches them to the bill of entry which he receives from the captain of the vessel. Armed with these documents he, or his agent, goes before the officials at the custom house and makes oath that he has certain merchandise on board the vessel, and he proceeds to verify the same by producing his invoice and bills of lading and entry. The invoice he produces is then compared with the invoice which the consul residing in the country from which the goods were shipped sends to the collector by the captain. The bill of entry which is presented by the importing merchant is also compared with the bill of entry which the captain gives to the collector at the same time that he does his manifest. These papers are then taken to the naval office, where the clerical work is verified. The importer then returns to the custom house where all the papers are again compared by the collector or deputy, who indorses the papers if they are found to be regular, and makes what is known as an "estimate" of the amount of duties that should be paid. He also designates certain packages that must be sent to the public

stores for appraisement in order that duties can be accurately ascertained. The importer then goes to the cashier's desk and pays the estimated duty on the articles he wishes to transfer immediately to his store, or ship to other merchants in the interior of the country. He then gets two permits, one is an order to allow him to have immediate possession of the goods upon which he has paid a duty, and the other is an order to allow him to remove the goods on which he has not paid the duty to a bonded warehouse. The importer leaves all these papers at the collector's office except his permit. He is now ready to demand possession of his merchandise.

If all his goods are for immediate consumption, and he has paid the duty on them, he hands the permit to receive the goods to one of the inspectors in charge of the vessel, under whose supervision all imported freight is unloaded. The articles of merchandise are then transferred from the ship to the wharf, and the owner is allowed possession. If the duty has not been paid on all or part of the goods, the merchant hands the other permit or order, called a "warehouse permit," to the inspector in charge of the vessel, and the owner is allowed to take his goods to a bonded warehouse. But he is

required to transfer his freight from the wharf to the warehouse in what are known as "bonded carts." These carts and drays are owned by companies who are under heavy bonds to the United States not to allow any merchandise to be taken from the carts while in transit from the wharf to the warehouses.

Heavy freight is usually appraised on the wharf, but lighter and more expensive articles are usually appraised at the public store. For the purpose of appraisement at the public store, about one box, crate or package in ten is selected. After the goods have been appraised and the rate of duty ascertained, the inspectors and appraisers report the same to the collector's office. The clerks at the custom house then figure out the duty on the whole amount of merchandise, of which the samples were only a part. But whether appraised on the wharf or from samples sent to the public store, the owner of the goods is then notified of the full amount of duty he owes on his entire importation. It will be remembered that when the importer received an order to have his goods delivered to him, that he paid an estimated duty at that time. If, now, after appraisement, it is found that he paid too much, the amount in excess of the correct duty is returned

to him. If, however, the estimated duty was too low, he is required to make the difference good. When this is done he is permitted to take the sample goods away from the public store. But these samples, always enough to cover the full duty on the whole importation, are kept until all duties are paid. When goods are inspected on the wharf the samples are kept there until full settlement is made with the collector at the custom house. If the duty is not fully paid by the estimated duty and the importer should refuse to pay the full duty, as ascertained by inspection and appraisement, the samples are then removed to the public store and sold for costs.

The merchandise which the importer stores in a bonded warehouse remains in the care of the government until the importer desires to take it out. Part or all of the goods can be taken out at any time by paying the required duties thereon.

Merchandise shipped into this country by way of Canada and Mexico, as railway freight, must undergo the same forms and regulations as here described, except those which are strictly of a maritime nature.

But there is another class of duties of which we have not yet spoken, and that is the duties collected

on the passenger's baggage. Tourists and returning citizens of this country are allowed to bring with them a certain amount of baggage, as provided by law, but all articles in excess of the prescribed amount must pay the regular duty. This duty is collected in a different manner than duties on imported merchandise which comes as freight.

When the inspectors board the vessel, as has been described, one of their duties is to assemble the passengers in the saloon and put them in readiness to leave the ship as soon as it enters the dock. The inspectors seat themselves at a table, and, as the passengers file past them, one of the inspectors fills out a blank "declaration," writing in the name of the passenger and the number of his valises, packages and trunks, and the passenger also declares whether he has any dutiable goods. The passenger swears to this statement or "declaration," as it is called, and then signs it. The other inspector checks off his name from the list obtained from the captain, and numbers the declaration to correspond with the number on the list. The passenger is given a ticket numbered to correspond with the number in the declaration, and also a label, on which is written the initial letter of his name. This is to be fastened to his baggage.

There is then a great scramble among the passengers to get their baggage in readiness to be taken from the ship. If there be many passengers aboard, the upper deck is soon so thickly covered with trunks, boxes, valises and packages, that one must climb over them to get from one part of the deck to another. The passengers stand huddled together in small groups, penned in by the piles of baggage heaped up on every side. When the ship touches the pier the gangway is run from the dock up to the deck of the ship, and the passengers pour down the walk to find themselves in a covered depot which usually extends the whole length of the ship's pier.

While the ship has been slowly coming up the harbor and entering the dock there have been other preparations made, especially in the large ports, for receiving the passengers, beside what has been going on aboard the vessel. A detachment of inspectors has been detailed from the custom house to meet the passengers in the ship's depot and aid the two inspectors, who came in with the ship, in examining the baggage and collecting duties on the same.

These inspectors, who are sent from the custom house, aided by two or three policemen, are drawn

up in line at the further end of the long depot where the ship lands, and as the passengers enter at the other end they find themselves confronted by a row of uniformed officers. The two inspectors, who were placed on board the vessel when it first entered the harbor, soon follow with a list of the passengers and declarations in hand. They move forward and stand by a small desk or table directly in front of the line of officers stretched from one side of the hall to another. The baggage by this time has been removed from the vessel and brought to the depot. The sides of the shed are marked with big letters arranged alphabetically, and baggage is placed under or near the letter on the wall corresponding to the initial letter on the baggage. If there should be a good many passengers whose names begin with B, then there will be a large pile of baggage gathered near the big B on the wall. As soon as a passenger's baggage is brought together he notifies the staff officer, and gives him the ticket which he received from the inspectors on board the vessel. The number of this ticket corresponds with the number of the passenger's declaration, and also with the tag which was fastened to his baggage just before removal from the ship. The chief officer calls an inspector out of the line,

gives him the passenger's declaration, and sends him with the passenger to examine his baggage. After having examined the baggage, if no dutiable goods are found, it is marked accordingly. This is done by pasting a small check on the article examined. If the passenger in his declaration acknowledged that he had any dutiable goods in his possession these are produced, appraised, and the duty collected. At one side of the depot there is a small office bearing the sign "Custom House." In this office is a clerk of the customs department, who receives the duties assessed and marks them paid. If any dutiable articles are found in the passenger's baggage which are not mentioned in his declaration, they, too, are appraised, and the inspector marches the careless passenger back to the clerk's office, and he must pay the duty. If, however, the articles are of considerable value, and there has been an evident intention on the part of the passenger to conceal the articles, the goods are seized and sent to the seizure room at the custom house for appraisement. The owner will now find some difficulty in securing his property, for he is obliged to pay an increased duty and perhaps a fine before he can obtain possession of the seized articles.

As soon as a passenger's baggage is examined

and marked as all right, he is given back his declaration, signed by the inspector and also by the clerk who is on duty in the little branch custom house, if any duties have been paid. This declaration, properly signed, the passenger presents to the chief officer at his desk in the front end of the depot, who checks off the name. Then the returning traveler to this country or the tourist from a foreign country is allowed to depart in peace, taking his effects with him.

The immigrants, or steerage passengers, if there should be any aboard, are not landed at the depot with the cabin passengers, but are taken to a different place, for the reason that the rules and regulations admitting immigrants to this country are much different than the forms attending the admission of the cabin passengers, who are usually tourists or citizens of this country returning from a trip abroad. This arrangement is also of great convenience to the immigrants, many of whom cannot speak a word of English. As they come from the four quarters of the globe it would be impossible, at the large seaports, to keep interpreters at all the wharves of the various steamship companies. If it should be at New York City, our immigrant will find himself, when he lands, in a spacious hall, in

which he can buy refreshments, and rest. This depot which the immigrant enters is the new Castle Garden at Ellis Island. The first space which the immigrant enters is the rotunda which leads to the gate which the new-comer must pass before he can enter the promised land. To do this he must satisfactorily pass the examination of the inspectors. At one end of this large hall or room there is a narrow passage or railing leading down into the room in which the immigrant's baggage is placed. About middle way of this narrow passage are two inspectors, one of whom has a large book before him in which he writes the name, age, nationality and occupation of each one of the immigrants as they slowly file through the narrow passage-way. The immigrant is also asked how much money he has with him, and is required to show it if the inspectors think there is any doubt about him having the amount that he claims. The immigrant is further questioned in regard to where he is going, whether or not he has any friends at the place to which he is going, and what his intentions are when he gets there. If the new-comer should be in destitute circumstances, or should the inspector have cause to think that the new-comer would soon become a charge upon the charities of this country, it is the duty of the examining officer to turn the

immigrant back, and refuse to allow him to pass through the narrow railing which leads to the United States. The law is not enforced as it should be, and many are allowed to slip through the railing who should be returned to the country whence they came.

The immigrant having registered and passed through the railing is allowed to go below and attend to his baggage. This is examined and passed upon much in the same way as is the baggage at the passenger depot which we have just described. This attended to, the immigrant is allowed to go on his way rejoicing.

CHAPTER X.

DISCRIMINATING DUTIES AND RECIPROCITY.

IT has long been the practice of the United States government to discriminate in reference to tariff duties between foreign countries, favoring those who by treaty grant this country special privileges. It has also been the practice of this government to make a discrimination in favor of its own citizens. As early as 1817 Congress passed the following law which is still in force:

“No goods, wares or merchandise, unless in cases provided for by treaty, shall be imported into the United States from any foreign port or place, except in vessels of the United States, or in such foreign vessels as truly and wholly belong to the citizens or subjects of that country of which the goods are the growth, production or manufacture; or from which such goods, wares or merchandise can only be, or most usually are, first shipped for transportation.” (R. S. 2497.)

A limitation is placed upon the foregoing law by the reciprocity clause passed at the same time, which provides that:

“ The preceding section shall not apply to vessels or goods, wares or merchandise, imported in vessels of a foreign nation which does not maintain a regulation against vessels of the United States.” (R. S. 2498.)

The President was given the power to suspend tonnage duties as early as 1828. By the law passed in that year, and subsequently amended in 1830, provision is made whereby, upon satisfactory proof being given to the President by the government of any foreign nation, that no discriminating duties of tonnage or imposts are imposed or levied in the ports of such foreign nation upon vessels wholly belonging to citizens of the United States, or upon the produce, manufactures or merchandise imported into the same from the United States, the President may issue his proclamation, declaring that the United States suspends all discriminating duties of tonnage upon the vessels of such foreign nation and the produce or merchandise imported into the United States from such country.

In June, 1872, Congress passed a discriminating duty of ten per centum ad valorem, in addition to the regular duties on goods produced east of the Cape of Good Hope when imported from west of

that point. This law was, however, repealed January 1, 1883.

In 1864 the following was enacted:

“ The discriminating duty of ten per centum ad valorem, in addition to the duties imposed by law, shall be levied, collected and paid on all goods, wares and merchandise which shall be imported in vessels not of the United States; but this discriminating duty shall not apply to goods, wares and merchandise which shall be imported in vessels not of the United States, entitled, by treaty or any act of Congress, to be entered in the ports of the United States, on payment of the same duties as shall be paid on goods, wares and merchandise imported in vessels of the United States.”

The foregoing provisions in regard to discriminations in duties and reciprocity treaties do not mean that should a foreign country open its ports to the free entry of American products, that this government would then reciprocate by throwing off all duties on imports from that foreign country. If that was the meaning, we would now be allowing the manufactured goods of England to enter our ports free of duty, because that country long ago repealed all duties on the principal products imported from this country.

Briefly stated, it means that this country will not charge any foreign country more than the regular tariff rates, as regulated by law, provided that such foreign country does not discriminate against the United States, by imposing a higher duty on imports from this country than they do on merchandise imported from other countries. And in reference to tonnage duties, it simply means that we will not tax the ships of one country more for entering our harbors than we do the ships of any other country, provided that country extends to us the same courtesy.

Vessels belonging to the following nations are admitted, under the provisions of law, treaties of commerce and navigation, or conventions, into the ports of the United States on the same terms as the vessels of the United States, with the produce or manufactures of their own or any other country, as respects both tonnage and impost duties. That is, merchandise brought here in ships belonging to these countries, can be entered on the same footing as if it had been brought in ships belonging to citizens of the United States.

Belgium—Treaty of March 8, 1875. China—By proclamation of the President, November 23, 1880. Denmark—Treaty of April 26, 1826. France—

Treaty of June 24, 1822. Discriminating duties on merchandise from France abolished by President's proclamation of September 22, 1873. Greece—Treaty of December 10, 1837. Liberia—Treaty of October 21, 1862. Madagascar—Treaty of May 13, 1881. Netherlands—Treaty of August 26, 1852. Ottoman Empire—Treaty of February 25, 1862. Russia—Treaty of April 5, 1824. Sweden and Norway—Treaty of July 4, 1827.

Austria—The first treaty with Austria was signed August 27, 1829. By the treaty of July 11, 1870, the part which refers to duty and tonnage provides that the judicial authorities and custom-house officials shall, in no case, proceed to the examination or search of merchant vessels without previous notice to the consular authority of the nations to which the said vessels belong, in order to enable them to be present. Notice to consulates of the taking of the depositions of captains or seamen before local authorities is also required. In the event of a vessel of either nation "being wrecked or cast on shore upon the coast of the other, all merchandise or goods not destined for consumption in the country in which the wreck takes place are free of all duties." Consulates may hoist their flag on

board any vessel employed by them in port for the discharge of their duty.

Borneo—By treaty, June 30, 1850. Under this treaty no duty exceeding one dollar per registered ton is levied on vessels of the United States entering the ports of Borneo, the said tonnage duty being in lieu of all other charges or duties whatsoever.

German Empire—By treaty of December 11, 1871. The stipulations of this treaty in reference to trade and commerce are about the same as the provisions of the treaty between Austria and the United States above given. The seventeenth article provides that, "With regard to the marks of labels of goods, or of their packages, and also with regard to patterns and marks of manufacture and trade, the citizens of Germany shall enjoy in the United States of America, and the American citizens shall enjoy in Germany, the same protection as native citizens."

Great Britain and her possessions—By treaty of July 3, 1815, October 20, 1818, and August 6, 1827, the commercial relations of Great Britain and the United States are very close, and the provisions of the treaty in respect to trade are very full. British vessels and their cargoes from any part of the world may enter the ports of the United States on the same

terms, as respects duties and tonnage, as the vessels of the United States.

For some time there was a dispute as to whether the provisions of the United States law, assessing an extra ten per cent. on merchandise from points east of the Cape of Good Hope when shipped from points west of there, applied to merchandise from British India when taken to England and then shipped to this country. It was decided by the owners of the British vessels going into the courts of the United States, where they gained a victory. The Circuit Court of the United States decided that British vessels bringing from British ports in Europe, articles of the growth, produce or manufacture of the British possessions in India, were not liable, under our treaty with Britain, to the penalties of the extra ten per centum ad valorem duties. By treaty of May 8, 1871, the common enjoyment of the sea-fisheries on the coasts of the United States and of the British North American Provinces, by American citizens and British subjects, is provided for. Reciprocal transit through the territory of each government on this continent is also provided for.

Italy—By the treaty with Italy, signed February 26, 1871, a generous policy of commercial liberty

is mutually assured each country. By the terms of this treaty not only are the vessels of each country granted the same privileges as the other, but the vessels of either country may also export and re-export from the other and any foreign port on the same terms and with the same bounties, duties and drawbacks as those belonging there. Vessels of either nation, wrecked, foundered, or damaged on the coast of the other, may unload and re-load there, without paying duties, except on articles left for consumption. Vessels of either nation may also complete crews on the territory of the other on certain conditions. The following vessels are exempt from tonnage, anchorage, and clearance duties, to wit: Those entering and leaving again in ballast. Those passing from port to port to discharge or take in or complete cargo, on proof of having already paid such duties. Those which, being loaded, enter port, and leave it without disposing of any part of their cargoes or completing cargo at that place.

No vessel of the one country, compelled to enter a port of the other to be regarded as trading if it merely breaks bulk for repairs, transfers cargo on account of unseaworthiness, purchases stores, or sells damaged goods for re-exportation only.

When damaged goods are sold for internal consumption, however, customs must be paid.

Japan—Under the treaty of July 29, 1858, vessels of the United States may enter the ports of Simoda, Hakodadi, Nagasaki, Kanagawa, Nee-e-gata and Hiogo. By the provisions of the treaty of March 31, 1854, Japan is to extend to the United States and the citizens thereof any privilege or advantage granted in future to any other nation. By the terms of the treaty of January 28, 1864, certain articles used in preparation and packing of teas are to be admitted in Japan free of duty, and certain other specified articles at a reduced duty of five per centum.

Persia—By treaty of December 13, 1856, citizens of the United States and subjects of Persia may reciprocally bring by land or by sea into, or export from, either country all kinds of merchandise and products, and sell, exchange or buy and transport the same to all places therein, subject, however, to the duties and regulations prescribed by the laws of the country in which such commerce is carried on. Any other privilege concerning such internal commerce in future granted to any other nation by either party, to be also granted to the merchants of either nation engaged in such internal commerce within the territories of the other. Import and

export duties to be on the footing of the most favored nation ; and no exceptional tax, under any name or pretext whatever, to be collected in either country on the merchandise or products of the other.

Spain—Under the act of Congress, March 1, 1869, and by reason of the subsequent action of the Spanish government, all discriminating tonnage duties on Spanish vessels were abolished, whether the vessels come from Spain or the islands of Cuba and Porto Rico. By proclamation of the President, dated December 19, 1871, merchandise imported into the United States in Spanish vessels from elsewhere than the islands of Cuba and Porto Rico was also relieved from the discriminating impost duty of ten per centum ad valorem which had previously been collected. The discriminating impost duty remained in force upon merchandise brought in Spanish vessels from Cuba and Porto Rico, until, by the treaty of 1891, all discriminating impost duties on cargoes in Spanish vessels from these islands were discontinued.

South America—For a good many years the United States has maintained reciprocal relations with nearly all the South American republics. The treaties with these states were all of about the same

tenor, and permitted vessels of these countries to come into the ports of the United States on the same terms as vessels of the United States, with the product or manufactures of their own or any other country, as respects both tonnage and duties on merchandise. Reciprocal commercial intercourse has been maintained with these states for some time. With Brazil and Chili since 1828, with Ecuador since 1839, with United States of Colombia since 1848, with Paraguay since 1850, with Argentine Confederation since 1853, with Bolivia since 1858, and with Peru since 1870. Recently, special privileges have been granted a number of the South American republics, who, in turn have reciprocated by admitting some of the products of the United States at a low duty.

Hawaiian Reciprocity Treaty—The treaty between the United States and the Hawaiian Islands, signed January 13, 1875, establishes absolute free trade between these two countries. The preamble to this treaty begins as follows:

“The United States of America and his Majesty the King of the Hawaiian Islands, equally animated by the desire to strengthen and perpetuate the friendly relations which have heretofore uniformly existed between them, and to consolidate their

commercial intercourse, have resolved to enter into a convention for commercial reciprocity."

Article I. of this treaty is to the effect that the United States agrees to admit all the articles named in the following schedule, the same being the growth and manufacture or produce of the Hawaiian Islands, into all the ports of the United States free of duty.

Schedule: Arrowroot, castor oil, bananas, nuts, vegetables, dried and undried, preserved and un-preserved; hides and skins, undressed; rice, pulu, seeds, plants, shrubs or trees, muscovado, brown and all other unrefined sugar, meaning hereby the grades of sugar heretofore commonly imported from the Hawaiian Islands and now known in the markets of San Francisco and Portland as "Sandwich Island sugar;" syrup of sugar cane, melada, and molasses; tallow.

Article II. is to the effect that his Majesty, the King of the Hawaiian Islands, agrees to admit all the articles named in the following schedule, the same being the growth, manufacture, or produce of the United States of America, into all the ports of the Hawaiian Islands free of duty.

Schedule: Agricultural implements, animals, beef, bacon, pork, boots and shoes, grain, flour,

meal and bran, bread and breadstuffs of all kinds; cotton and manufactures of cotton, bleached and unbleached, and whether or not colored, stained, painted or printed; hardware, hides, furs, skins and pelts, dressed or undressed; hoop iron and rivets, nails, spikes and bolts, tacks, brads or sprigs, ice, iron and steel, and manufactures thereof; leather, lumber, and timber of all kinds, round, hewed, sawed and unmanufactured, in whole or in part, doors, sashes and blinds; machinery of all kinds, engines and parts thereof; oats and hay; paper, stationery and books; petroleum and all oils for lubricating and illuminating purposes; wool and manufactures of wool, and textile manufactures made of combination of wool, cotton, silk or linen. (These are only the principal articles mentioned in the schedule, minor articles have not been named.)

It was agreed that no export duties or charges should be imposed in the Hawaiian Island, or in the United States, upon any of the articles proposed to be admitted into the ports of the Hawaiian Islands or the ports of the United States free of duty. His Hawaiian Majesty further agreed that, so long as the treaty remained in force, he would not lease or otherwise dispose of, or create any lien upon, any port, harbor or other territory in his

dominion, or grant any special privilege or rights of use therein, to any other power, state or government, nor make any treaty by which any other nation could obtain the same privileges, relative to the admission of any articles free of duty, which had been secured to the United States.

The new Reciprocity Act will go into effect January 1, 1892. By referring to the law it will be seen that if any country, exporting sugar, molasses, coffee, tea and hides to this country, which are now admitted free of duty, shall impose after January 1, 1892, any duties on the agricultural or other products of the United States, then the President of the United States is empowered to suspend, by proclamation, the free introduction of sugar, molasses, coffee, tea and hides, the production of such country.

As a result of this legislation, several reciprocity treaties have been made with some of the South American republics. Notably among these is the treaty with Brazil. Under the provisions of this treaty, Brazil reduces her import charges upon American products and the government of the United States admits, free of duty, sugar, coffee, tea and hides, the products of Brazil.

CHAPTER XI.

AVOIDING DUTIES.

AS pointed out in a previous chapter, the old piratical method of smuggling has died out, and in its place has come what may be called a sharp-practice method of avoiding duties. Some of these schemes for defrauding the government are planned in such a smooth manner, that even if the principals engaged in the undertaking are caught they will escape punishment, for the reason that they manage to keep within the bounds of law in their attempt to evade payment of duties.

One of the popular methods resorted to in cheating the government of its just dues, is the practice adopted by foreign manufacturers of sending merchandise to this country on consignment. To do this the foreign house must have a branch establishment in this country to act as an accomplice in playing the game. The foreign house then ships a quantity of goods to the house in this country. The invoice accompanying the merchandise indicates a price far below the real value of the goods. The proprietor of the establishment on this side of

the ocean understands his business, and he immediately marks them up to their correct value before he sells them to the jobbing houses in this country.

The practice of sending consignments, which are purposely undervalued, to agents in this country is especially true in reference to importations of silk. The appraiser in assessing the duties on merchandise must confine himself to the foreign price. The law on this point is that the appraiser must assess the duties on the actual market value of the merchandise, at the time of exportation, in the country from which it was imported into the United States. Here is where the difficulty lies in appraising the value of silks. It is hard for the appraiser to say just what the cost of labor and material was in making a piece of silk, for the reason that silks are of every conceivable grade. He must, then, take the importer's word for it as it appears in the sworn invoice. As heretofore explained, when an exporting merchant in a foreign country wishes to ship goods to this country, he must go before a United States consul and make oath to the amount and cost of goods he proposes to ship. The invoice must be approved by the consul. It would seem that this would be a check upon undervaluations, but it is not, as respects some articles. The consul

can have no idea of the foreign value of all kinds of silk, and he, too, must take the foreign merchant's word for it.

The essential feature of the consignment system is the concealment of the actual foreign market value, so that the appraiser can have no standard by which to assess values. American importing firms of good standing and credit cannot purchase silks in Lyons or Zurich and import them to this country and make a profit. As a rule, all imported silk goods come consigned to commission merchants in this country, and wholesale dealers are compelled to buy from them. This practice has existed for a long time, and merchants who deal in silks are fully aware that consigned silks are fraudulently imported into this country. But wholesale dealers in dry goods must supply their customers with silks, and, as they cannot purchase these goods in foreign markets without being losers, they are compelled to buy them of the commission merchants.

The extent to which a shipment of silks can be undervalued, depends entirely upon the ability and shrewdness of the agent on this side of the Atlantic. The only penalty for undervaluing a shipment of goods, is to have the duty advanced twenty per

cent. The agent usually experiments on a small shipment first. If he succeeds in getting them through the custom house at a low figure he then orders a large consignment. If this should be rated some higher, he calls attention to the fact that the same goods were assessed at a lower price on a former shipment. This argument usually proves effective, and the agent is successful.

The "dummy-package" fraud has been and still is a favorite method of avoiding duties. In order to work this method the importer must be in collusion with some inspector. A bogus or false package is sent to the appraiser for examination. This dummy-package will contain articles upon which there is a low duty, and the package is represented as a fair sample of all the packages in the cargo. The other packages are in appearance the same as the one sent to the appraiser's office, but contain goods upon which there is a much higher duty. This method of securing a low assessment of duties was extensively practiced in Chicago several years ago.

A number of retail dealers in Eastern cities do a snug little business in what is known as the "sample package" method of evading duties. The law allows certain small packages, such as pieces of

cloth, single gloves, shoes or stockings, for sample purposes to be imported free of duty. The confederate in Europe will ship a box of odd shoes or gloves to his customer in this country as "samples" of what he has to sell in that line. These, of course, come through duty free. When next the dealer in Europe has occasion to send more samples to his accomplice in this country, and this occasion happens frequently, he sends the mates to the odd shoes and gloves he sent in the first consignment. As the odd articles in one package are numbered to correspond with the articles in the other package it does not take much trouble to arrange the pairs properly. When this is done the tricky dealer has quite an assortment of shoes and gloves upon which he has paid no duty.

Pro-forma invoices have long been a means by which dishonest importers have cheated the government. It sometimes happens that shipments of goods are made from points that are remote from consular offices, and for this reason it is almost impossible to procure a certified invoice. Under these circumstances the importer is allowed to enter his goods on what is termed a *pro-forma* invoice. An invoice of this kind is merely a statement by the importer of the amount of goods in a given ship-

ment and an estimate of the prices of the different articles. One peculiarity about a *pro-forma* invoice is that when the importer undervalues his merchandise and the appraiser advances it ten or twenty per cent. the importer is not subject to any penalty. If an importer brings goods into this country on an invoice which he has sworn to before a consul, and the appraiser should assess the value of the goods at a higher price than that named in the invoice, it would subject the importer to a fine. The dishonest importer, therefore, always imports merchandise on a *pro-forma* invoice whenever he can possibly do so, as it enables him to undervalue his merchandise without running the risk of having to pay any penalties.

Although the law making an allowance for damaged goods has been abolished, it may be well to mention the frauds committed under "allowances for damages," merely as an example of the extensive frauds committed on the custom duties. In order to understand how these frauds were operated it is necessary to make one or two explanations. There is at every important port of entry a class of lawyers known as custom brokers. There is a good deal of work in making out invoices and manifests and having them properly indorsed by the different

heads of departments. The work is much like preparing the papers to present a case in court, and nearly all the importers and shippers find it convenient to employ these brokers. In fact, these brokers may be said to be attorneys who practice before the collector of customs at a port of entry.

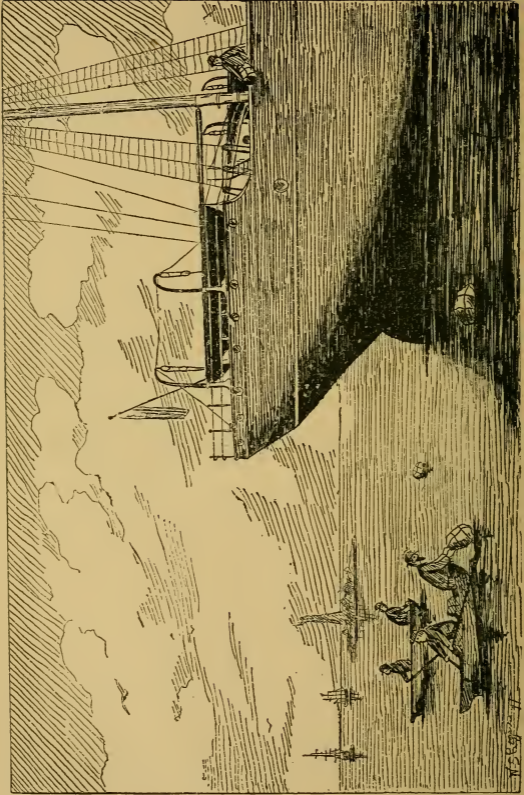
The law, until recently, provided that should a cargo of merchandise become damaged in a voyage from a foreign port to this country, that the appraiser in assessing the value of the goods should make allowances for such damage. This afforded an opportunity to cheat the government that was hard for the unscrupulous importer to resist. All he had to do was to secure an allowance for damages larger than he had really sustained and he was sure to be a winner, without running a risk of being subject to any penalties.

The practice of securing an over allowance for goods damaged while in voyage, became so general that a certain class of custom brokers found it profitable to push damage claims. The practice became so profitable that there actually grew up a class of brokers called "damage brokers," who advertised and held out that they were able to secure large allowances for damaged goods. The importer came to know that the damage brokers

were very successful in putting through this class of claims, and he employed them freely. The successful damage broker had a great influence over the appraisers, and it is generally conceded that much crooked work was done. The matter was carried to such an extent that damages were sometimes allowed when none had been sustained. This could only be done where there existed a corrupt ring consisting of a damage broker, an inspector and an appraiser. Their method of procedure was like this: Supposing that a dishonest importer receives a consignment of almonds and Brazil nuts; he makes an application for a rebate on the duty upon the ground that the nuts have been damaged at sea, and puts the case in the hands of an expert broker. A box of damaged nuts is provided for the occasion and sent to the appraiser at the public store with the statement that the package is a sample case of the cargo. The appraiser, who has previously been "fixed," will perhaps report that the nuts are damaged to the extent of one-tenth of the whole lot. The importer then will only have to pay a duty on nine-tenths of his cargo, as the law did not, until recently, require duties to be paid on damaged goods.

By a recent act of Congress, allowances for dam-

aged merchandise is no longer granted. The importer who now receives a cargo of damaged goods must abandon that part of it to the government on which he does not want to pay a duty. The government then sells the damaged goods at auction and applies the proceeds to the payment of the duties. This law was passed for the purpose of putting a stop to the wholesale frauds that were being committed by the damage brokers. How well the new law will work remains to be seen. If the damage brokers do not find a way to beat it and continue to defraud the government, it will be strange. The history of the collection of the customs duties has been that no sooner is one method of avoiding the tax discovered and exposed than another arises to take its place.



SMUGGLING CIGARS IN NEW YORK HARBOR.

CHAPTER XII.

SMUGGLING.

SMUGGLING, as everybody knows, is to bring dutiable goods into a country in a secret and clandestine manner, or in a bold and robber-like fashion to force an entrance, defying authority. Avoiding duties is when goods are entered under some color of right, but smuggling is an attempt to run the gauntlet of custom officers without any excuse, and facing all risks. As pointed out in a previous chapter, the old piratical and bold method of smuggling has almost passed away, and in its place have come quiet and sly ways of smuggling, a few of which will be described here.

To begin with, there is the old and reasonably safe method of secreting small and valuable articles on the person, so common with a certain class of passengers arriving from foreign countries. Large importations have been made in this way of such articles as glass eyes, upon which there is a heavy duty, jewelry of all kinds, opium, valuable laces, silk and silk ribbons. The inside lining of clothing, in which these articles are concealed, is seldom

examined by the inspectors. The baggage of a passenger who has just arrived by steamer from Europe is generally pretty well examined, but, from the great difficulty attending a personal search, it is never made except upon suspicion.

As said before, personal smuggling is generally safe for the reason that personal examination is seldom made. Not one woman in a thousand who sews a few yards of lace into her skirts is ever caught. It is only those who make a business of this species of smuggling that get into difficulty. The female smuggler who makes frequent trips to a foreign country is sooner or later suspicioned by the inspectors, and she is closely watched. If anything occurs to confirm them in the opinion that she is engaged in smuggling, she is arrested and taken to the custom house, where there is an apartment for searching women, and handed over to the inspectress in charge, who seldom fails to make a merciless examination.

It used to be, several years ago, that great efforts and much pains were taken by some people to smuggle in an extra garment or two on their return trip from London or Paris, where they were enabled to purchase clothing very cheap. But it is no longer necessary to go to the trouble of smuggling

in order to bring clothing into this country free of duty. All that is necessary to do now on a return trip from Europe is to swear that all the clothing you have in your possession is your own personal wearing apparel, and you can bring through, duty free, two or three trunks full of clothing if you wish.

This wholesale entrance of wearing apparel without being subject to duty is rendered possible by a decision of the United States Supreme Court, April 7, 1884. It appears that Wm. Waldorf Astor had arrived from Europe, bringing with him a large assortment of clothing which he had purchased while abroad. It had been seized by custom officials at New York, and held for payment of duties, which Astor refused to pay, claiming that he had a right to bring with him all clothing that he had purchased for his own use while abroad. Astor went to law about the matter, but was beaten in the lower courts. He appealed to the Supreme Court, which rendered the following decision:

“Wearing apparel owned by the passenger and in a condition to be worn at once without further manufacture; brought with him as a passenger and intended for the use or wear of himself or his family who accompanied him as passengers, and not for sale, or purchase, or imported for other persons, or

to be given away; suitable for the season of the year which is immediately approaching at the time of arrival; not exceeding in quantity, or quality, or value, that the passenger was in the habit of ordinarily providing for himself and his family at that time, and keeping on hand for his and their reasonable wants in view of their means and habits of life, even though such articles had not been actually worn."

This decision was based on the provision of the free list, which admits free of duty all "wearing apparel in actual use, and other personal effects." It will be seen that the Supreme Court gave a very liberal construction to the words "in actual use," interpreting them to mean "intended for use or wear." This remarkable decision opened the flood gates for the free entrance of wearing apparel. Since then there has hardly been any limit to the amount of wearing apparel that a wealthy individual may bring with him on a return trip from Europe.

The traveling people living in Eastern cities are especially familiar with the privileges that tourists may enjoy, and they make the most of it. A trip across the ocean in a modern passenger steamer is nothing to those who are accustomed to it, and there are many well-to-do women in the Eastern

cities who wish to dress well, and at the same time use economy, who frequently combine business with pleasure, and go shopping in London or Paris.

Another method of avoiding duties on personal effects, is to bribe the inspectors. The passenger pretends to be in a great hurry and requests the inspector to hasten the examination of his baggage. The inspector receives a tip, and is assured that the favor will be appreciated. The trick is a dangerous one to try, as there is a law against offering money to inspectors. Those who are in a position to know, however, assure us that the game is often played.

Last year Special Agent Wilbur brought to light an extensive and organized system of smuggling in clothing. The method of operation is as follows: Certain agents in Boston, New York and other seaboard cities take orders for clothing to be made in London. The garments are to be made at a very reasonable figure, with a small sum added for "freightage." This is supposed to be the amount of the custom duties. With this extra sum added the clothing is very cheap compared with American prices, and there are many who like to have their tailoring done in London anyhow, so the agent finds no difficulty in taking a number of orders. In

due time the clothing is made up and sent over to this country in the care of an accomplice, who is an employé on one of the ocean steamers. Arriving in this country, the packages are kept well out of sight for several days after the vessel lands, and then slipped ashore in bundles of washing, or placed in a sling and lowered from the side of the vessel to an accomplice waiting in a boat below. In this way the clothing reaches the agent in this country, and finally the buyer, who rejoices in the bargain he has made, but knows nothing of the smuggling process by which it has been done.

Cigar smuggling has long been a common and profitable practice. It is seldom that a vessel arriving from Cuba comes into port without a quantity of cigars on board intended to be smuggled ashore. The method of procedure in this instance is to sew the cigars up in rubber bags and throw them overboard after nightfall. The confederates, who are watching, when informed by a signal that the cigars are afloat, row out and pick them up.

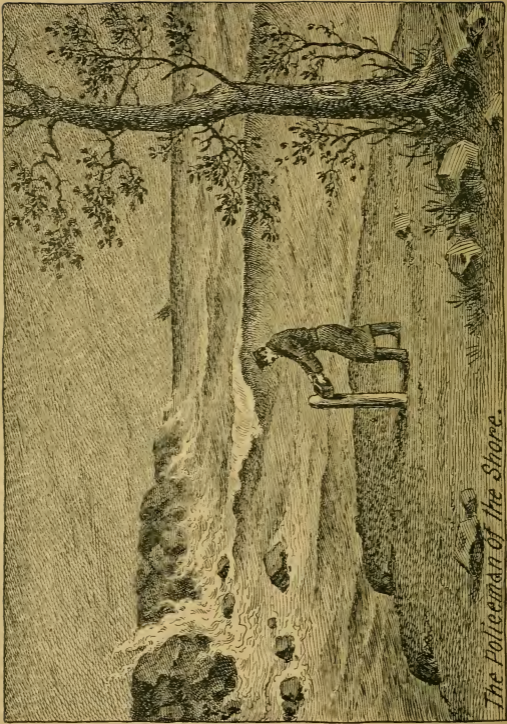
The high duty on wines and liquors make them a profitable article to smuggle into this country, especially as the internal revenue tax can usually be avoided by the same means. Last year a large

smuggling scheme of this kind was discovered in the port of Philadelphia. The German steamer *Energie* was lying at Point Breeze, loaded with oil for Bremen. The night before the vessel was to leave was a dark and stormy one, and as the night inspector, William Lamond, passed along, he noticed by the flashes of lightning that men were rushing back and forth on board the *Energie*, bringing large boxes on deck and lowering them to small boats lying along the steamship's side. The inspector slipped off his shoes and crept along the wharf. He then climbed on the vessel and hid himself to see further developments. Having become satisfied that the men were engaged in smuggling, Lamond rushed forward with a revolver in hand, and succeeded in capturing one of the men. The rest of the smugglers scampered away and hid on the vessel and could not be found. Lamond called the mounted police to his aid and seized the forty cases of champagne taken from the *Energie*. Subsequent developments showed that extensive smuggling in liquors had been going on for some time from the vessels lying in the Schuylkill river.

Opium smuggling is so extensive and general that it is hardly necessary to speak about it. You can hardly pick up a newspaper without seeing an

account of some new episode in the opium smuggling business. The enormous duty of twelve dollars per pound makes it a great temptation to smuggle this article. A very large opium smuggling incident occurred recently at San Francisco. A cargo of 100,000 pounds of opium was brought from China on the yacht *Halcyon*. The opium was transferred from the yacht to a small steamer, which in turn loaded the drug on a lumber schooner in Puget Sound. The transaction was successful, and netted the operators a profit of \$1,200,000. Those qualified to know say that nearly all the opium used in this country is smuggled in. Very little opium is brought here in the legitimate way, through a custom house. Opium smuggling is confined almost exclusively to the Pacific coast and to the Northern frontier, where the subject will be again mentioned.

In this chapter only a few of the articles most generally smuggled into this country have been mentioned. There are other features of this species of illicit traffic, peculiar to certain sections of the country, that can be better described in other parts of this book.



The Policeman of the Shore.

THE POLICEMAN OF THE SHORE.

CHAPTER XIII.

THE ATLANTIC AND GULF COAST.

THE Revised Statutes of the United States declare that there shall be in the State of Maine fourteen collection districts. Beginning on the coast the first district is described as, "The district of Passamaquoddy; in which Eastport shall be a port of entry and delivery, and the towns of Calais, Pembroke and Robinson ports of delivery." A little farther down is the district of Machias, and then comes "the district of Frenchman's Bay; in which Ellsworth shall be the port of entry, and Union River the port of delivery." And so on down the coast of Maine and all along the Atlantic shore and around the Gulf to Galveston, and on around the whole frontier of the United States, the statutes name and locate each collection district and port of entry. The Atlantic coast is indented by many bays and inlets which afford many excellent harbors. This is particularly so on the New England coast, and Congress has by various acts located the ports of entry and delivery on this part of the At-

lantic, minutely describing the bays, inlets, rivers and harbors that shall belong to each district.

Along the Atlantic and Gulf shore the coast is protected by the revenue cutters which cruise up and down the coast within fifteen leagues of the shore. From Calais, in Maine, to Key West, Florida, the coast is further guarded by inspectors, who may be called the policemen of the shore. These inspectors belong to the life-saving stations, but it is part of their duty to look after stray or suspicious looking vessels, and report them to the nearest custom officer, and also to keep a sharp lookout for small sailing vessels or row boats that put into shore in out-of-the-way nooks and corners. The shore inspector must meet such vessels, if possible, and ascertain whether they are engaged in any smuggling schemes

A policeman walks a distance of six miles along the sea-shore, and then he meets another policeman. The guards then exchange checks or brass tickets, and, turning around, start back again on their respective beats. This system of exchanging numbered tickets is so arranged that it shows whether or not a policeman has attended to his duty. As he meets a fellow policeman at both ends of his six-mile journey, he must necessarily

travel the distance or he could not exchange his tickets properly. When there is an inlet or river that the officer cannot cross, he deposits a check in an iron box, that is fasted to a post, and takes out one of a different number to return to the policeman at the other end of his route. These boxes are occasionally replenished with checks by an officer who oversees a division.

It would be a tiresome repetition to attempt to name all the custom districts along the Atlantic coast. Suffice it to say that there are many ports of entry, and that ports of delivery are almost innumerable. The revenue flag, with its eagle and cross-bars, floats above a little custom house in every sea-port town.

It is through the ports of the Atlantic coast that most of the imported merchandise from Europe reaches this country. The amounts of customs duties received from the chief ports on the Atlantic coast for the fiscal year ending June 30, 1890, are as follows:

District.	Tonnage.	Customs Duties.
New York.....	\$214,323.86	\$153,900,052.00
Philadelphia.....	58,161.21	24,284,774.11
Boston....	42,994.95	19,262,178.82
Baltimore.....	35,433.27	2,865,010.76
Key West.....	707.85	752,209.20

District.	Tonnage.	Customs Duties.
Providence.....	372.27	266,896.81
Hartford.....		234,709.90
Portland.....	5,595.06	139,822.36
Bangor.....	389.16	116,608.09
New Bedford.....	245.49	109,850.31
Plymouth.....	105.24	108,082.85

As the leading port of the Atlantic coast, New York is entitled to special mention. It will be seen from the table given above that the imports at New York are larger than all the others combined. In fact the duties collected at the port of New York are more than three-fifths of all the customs duties collected in the United States. To collect this vast amount it requires the service of more than nineteen hundred custom officers at an annual compensation of nearly three million dollars.

Everything about the harbor and port of New York is on a colossal scale. Standing on the Brooklyn Bridge and looking up either the North or East River, the scene presented is an endless continuation of shipping. The custom house is an immense structure, built of granite and marble. The various departments of the customs service have offices in this building. The rotunda is used as a sort of clearing house or general exchange for customs purposes. All the various departments are repre-

sented here. The collector, surveyor, naval officer, storekeeper, chief appraiser, in fact all the various heads of departments are represented here by one or more clerks. The desks in the rotunda are arranged in circular form, and about fifty or sixty clerks are on duty every day. This method of having a common center for all the departments is a peculiarity that belongs entirely to the New York custom house, no other port employs this method.

The feature of New York harbor that stands out in importance above everything else is Castle Garden. The site now occupied by this famous immigrant depot was originally a little island in the bay, about three hundred yards from the shore. The old Dutch rulers of New York built a fort on this spot more than two hundred years ago. During the war of 1812 the government replaced this fort with a new one built of stone. The new fort was called Fort Clinton, and was considered a marvelously fine structure for those days. A few years later a new fort was built farther down the bay. Fort Clinton was dismantled, and was not used again until 1824. At that time Lafayette made his second visit to the United States, and the interior

of the old fort was turned into a ball-room for the purpose of celebrating the occasion.

In 1839 the fort was leased to Richard French, who remodeled the old structure and turned it into a beer garden. The interior was remodeled and changed into a theater, where cheap entertainments were given. A park surrounded the old fort, on which a number of thrifty trees had long flourished. French fixed the park up, laid out walks, along which seats were placed, hung lanterns in the trees, and called the place "Castle Garden." Cool breezes from the bay, popular music and cheap beer soon made Castle Garden famous. The place became so popular that it was found to pay better to cater to the desires of the more fashionable New Yorkers. The cheap concerts gave way to a higher class of entertainments, and gradually the vulgar element was driven from the garden, and the place became a fashionable resort.

It was not until 1855 that Castle Garden was used as a place for landing immigrants. Before this time immigrants were landed at the various ship wharves which lined the North River. When the immigrants landed at these wharves they were subject to all manner of frauds and extortions. Even before leaving the ships they would be greeted by

those who could speak their own language, and who, under the cloak of nationality and the guise of friendship, were only scheming to ensnare them in some plot for the purpose of robbing them. Runners for vile hotels, who charged them exorbitant prices, persons claiming to be railroad agents, with bogus tickets for sale, and thieves and villains of every description infested the old landings. It was with the hope of cleaning these vermin out and protecting the poor immigrant that the Board of Immigration was organized in 1847. They struggled with the matter for eight years, but were unable to accomplish much.

The evils continued to grow, and it became necessary to take some steps toward a better protection of the new-comers. It was decided to have the immigrants landed at one place. By centralizing them in this way, it was thought that they could be handled better, and so it proved. Castle Garden was chosen as the new depot for immigrants, owing to its central and pleasant location, and the board commenced business at the new stand, May 5, 1855.

Under the regulations provided at this new depot, the interests of the immigrants have been carefully guarded ever since. Castle Garden was used as an immigrant station for thirty-five years,

when the lease of the Board of Immigration expired. The government then took hold of the matter and transferred the landing of the immigrants to the Barge Office, which place was used as an immigrant station for about a year.

In 1866 Congress passed a bill providing for the erection of a Barge Office at the Battery. The law directed that cabin passengers and their baggage should be transferred from quarantine to the Barge Office, and be examined there. This passenger depot was built at a cost to the government of about \$400,000, and was opened up for customs purposes, as respects cabin passengers and their baggage, on January 1, 1883.

For a number of years the collectors at New York had complained that it was difficult to properly collect the duties on passenger's baggage, owing to the number of different and widely scattered wharves. It was for the purpose of remedying this evil that the government established the Barge Office, and employed three large ferry boats to transfer cabin passengers from the ships at quarantine to the Barge depot. Much criticism was passed on the government for incurring this expense, and after it had been in operation two years the government ceased to transfer passengers, and for

the next five years only such steamship companies landed their passengers at the Barge Office as found it profitable or convenient to do so.

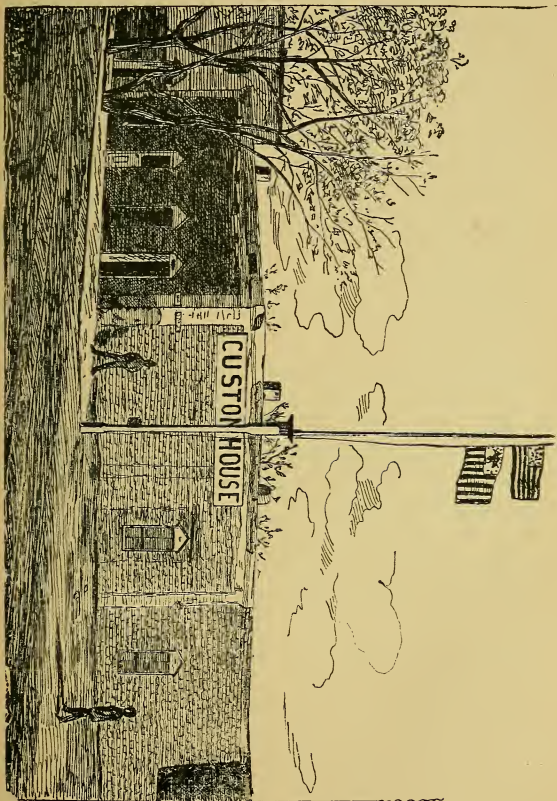
As stated before, the lease of the Board of Immigration on Castle Garden expired in 1890, and the government took hold of immigration matters at New York. Congress passed a bill authorizing the construction of an immigrant building on Ellis Island, a small island in the harbor, near the statue of liberty. While this building was in process of structure, the government used the Barge Office as an immigration station. The building on Ellis Island has just been completed, and the immigrants are now landed there. The place is called "New Castle Garden," and is the finest immigrant depot in this or any other country. No port in the world has such perfect regulations for the protection of the poor traveler seeking a home in a strange land.

The principal amount of customs duties collected on the Atlantic coast comes from the Northern ports, as will be seen by referring to the table given at the beginning of this chapter. The reason for this is that there are but few good harbors along the Southern coast. Many of the harbors along the Southern coast are not deep enough to admit the entrance of large ocean steamers. Charleston

is so situated that it would be a great port of entry if its harbor were not so shallow. An appropriation has been made by the government for the purpose of deepening this harbor, and when the improvement is made Charleston will become one of the greatest ports on the Atlantic coast.

Key West, Fla., is an important Southern port, and there is a special reason for its being so. Several causes have contributed to the building up at this place of a large tobacco manufacturing industry. It is supposed that manufacturing cigars as far south as possible improves their quality. Havana tobacco makes the best cigars, but manufactured cigars must pay a heavy duty. Imported leaf tobacco is not subject to as high duty as when manufactured, and it is because of this that great quantities of leaf tobacco are imported from Cuba into Key West, and there made up into cigars. Key West cigars are regarded as being equal to pure Havana cigars, from the fact that they are made from Cuban tobacco in the moist climate of the south.

The amount of tonnage and customs duties received for the year 1890 at each of the important ports on the Gulf coast is as follows:



CUSTOM HOUSE, EL PASO, TEXAS.

District.	Tonnage.	Customs Duties.
New Orleans.....	\$52,696.29	\$2,634,731.68
Tampa.....		258,921.25
Galveston.....	8,793.61	116,312.68
Corpus Christi.....		16,669.69
Pensacola.....	21,851.54	7,072.66
Mobile.....	6,440.13	5,010.74
Appalachicola.....	1,557.12	673.80

The tonnage duties at Pensacola and Appalachicola are much greater than the custom duties. The reason for this is that the ships registered at these ports are mostly engaged in the coast trade. A great deal of fine wood and lumber is shipped from these ports to the Northern cities on the Atlantic coast.

New Orleans is the great port of the South. The largest ships can enter the harbor here, and they come from all parts of the world. The chief articles of import are sugar, coffee and fruit. New Orleans has the largest and finest custom house in the world. The building was begun in 1848, and it was thirty years before it was finished. The outside is constructed of Quincy granite, and the interior is lined with fine marble. This structure was built at a cost of \$4,900,000.00

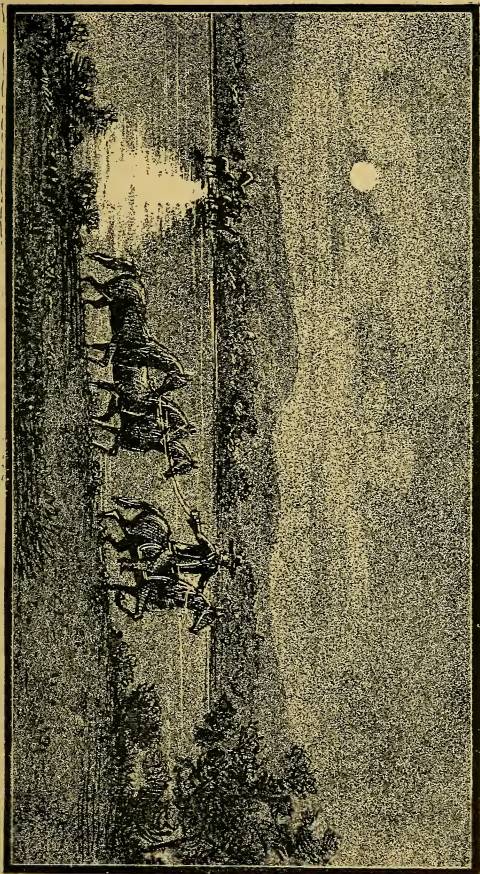
Galveston, in Texas, will be in a few years an important port of entry. At the last session of Congress (1890) a large appropriation was made for the improvement of this harbor.

CHAPTER XIV.

MEXICAN FRONTIER AND PACIFIC COAST.

THERE is a peculiarity about the Mexican frontier that is entirely its own. It consists in what is known as the "Free Zone," and is situated in old Mexico. Several years ago the Mexican government passed a law setting apart a narrow strip of territory on the boundary line between that country and the United States to be a "Zona Libre," or free zone, into which goods and merchandise could be shipped from any part of the world, duty free. The object of this legislation was to build up a narrow strip of Mexican territory at the expense of the United States frontier. This piece of strategy by the Mexican government is accomplishing its purpose, because the United States is debarred from retaliating with a similar law for the reason that it would be contrary to the provision of the Constitution, which declares that "all duties, imposts and excises shall be uniform throughout the United States."

The free zone is a strip of territory twenty miles



SMUGGLING HORSES ACROSS THE RIO GRANDE.

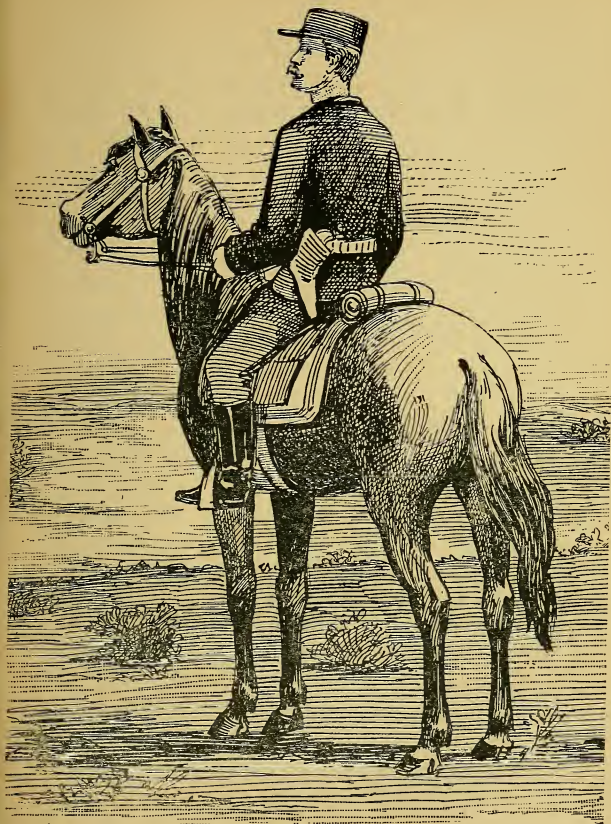
wide on the Mexican side of the line, and extends from Matamoros to Tijuana.

The United States frontier adjoining old Mexico is poorly guarded. There is a custom house at Brownville, Laredo, Eagle Pass and El Paso, Texas, and at Nogales, Nevada. Mounted inspectors patrol this part of the frontier, but they only act as detectives, and there are not enough of them to properly guard the boundary line between this country and the "Free Zone" in Mexico. It is doubtful if any ordinary number of men could guard the Mexican frontier. The barren plains in the Northern part of Texas, and in the Southern part of New Mexico and Arizona, afford great protection to the smugglers. Usually, natural impediments make smuggling unprofitable. But it is the reverse in this instance. To the professional smuggler, this sterile and wild tract of country is a bridge between Mexico and the inhabited part of the United States, which, if he can but safely cross, he feels that he is secure from pursuit and capture.

Running horses from Mexico into the United States is the chief industry of the Mexican smugglers in this part of the country. Owing to the high duty on horses the business is quite profitable. As stated before, the Mexican frontier is poorly

guarded. From Eagle Pass to El Paso, a distance of four hundred miles, there are but four mounted inspectors. Instead of these inspectors watching the smugglers it is much nearer to the truth to say that the smugglers watch the inspectors. By a decoy movement they will attract the attention of a guard to the extreme end of his route, while in another direction they rush a drove of horses over the line before the guard knows what has happened. The smugglers go prepared for these trips across the plains. They carry with them a good supply of water and provisions, and they go armed to the teeth. Their journey is usually through the desert part of the country, and they know the trails better than the government officers. To follow them is almost as futile as for a handful of soldiers to pursue a band of Sioux Indians into the Bad Lands. The only way in which these land pirates can be captured is to let them have their own way about crossing the plains and then to watch for them when they come out on the other side. It sometimes happens when a band of these smugglers are passing through Kansas or Arkansas that the inspectors, with the aid of local officers, succeed in overhauling them.

There is another method of avoiding customs



A MOUNTED INSPECTOR.

duties on cattle and sheep, that is much in vogue among the ranchmen who own farms on the frontier. A stock-raiser living on the boundary line will buy or lease a ranch on the Mexican side of the line. He then drives a few cattle over to his new possession. He has a right to do this, because his farm in Mexico is in the "free zone," and the Mexican government taxes him nothing for bringing his cattle into that piece of neutral territory. Our government permits the cattlemen to bring back their own stock, which have only been across the line for grazing purposes, and here is where the ranchmen defraud the government. Gradually and in a quiet way, the ranchman buys a great number of cattle in Mexico and turns them in with his American flock, which he is pasturing over in the "free zone." The result is that the American colony of cattle on the Mexican side increases at a prodigiously rapid rate, while the flock on the American farm seldom grows any smaller, although the ranchman sells a great many cattle therefrom. The scheme works splendidly, for by driving the cattle back and forth from one farm to the other, for the purpose of branding the young, in search of better pasturage, and by other excuses, the ranchman is enabled to so mix up the cattle he buys in Mexico with those

he owns in the United States, that the government officials are unable to prove that he has smuggled any of them across the line.

The government has undertaken to prosecute these offenders in the courts of law, but in nearly every instance the ranchmen have come out ahead. Smuggling, and otherwise avoiding tariff duties, is so general in this part of the country, that it is almost impossible to secure a jury that is not more or less in sympathy with the ranchmen.

The Free Zone is a neutral ground, upon which both American and Mexican smugglers meet. Merchandise from any part of the world can be shipped into the Free Zone without paying a duty. Silks can be shipped from Paris and come through the United States, and the importer in this favored territory will have no duties to pay. The only inconvenience he is put to is that his agent in New York makes out a sworn statement, which he gives to the United States custom officers of that port. In this statement he declares that the goods are only going through the United States on their way to Mexico, and are not for use or sale in the United States. This is called shipping goods through "in bond." When goods of any kind are once within the Free Zone it becomes an easy matter to smug-

gle them back into the United States, thereby avoiding the duty. Thousands of dollars worth of light and expensive articles, such as silks and opium, annually find their way into the United States by way of the Free Zone, without being subject to the tariff duty.

Smuggling is most common along the Rio Grande. It often happens in the summer time that this river becomes very low, and sometimes it goes dry entirely. Then the smugglers reap a harvest. With roads hard as paved streets, with moonlight nights, with nothing to prevent but a few mounted guards, and these hundreds of miles apart, what is to prevent these tariff dodgers from conducting a safe and profitable business?

The fact is that during the dry season when the bottom of the Rio Grande is dry and dusty, smuggling becomes an epidemic, and all classes seem to be infected with the desire to do a little importing of their own in a quiet way. This is especially true at El Paso, Texas, which is opposite to the city of Paso del Norte, in Mexico. When the river is dry and the crossing good, the guard on the bridge at this point looks helplessly down on a crowd of pedestrians as busily engaged in carrying small bun-

dles from Mexico to the United States as a swarm of ants carrying eggs from one hole to another.

The United States has, of course, a large legitimate trade with Mexico, which comes through the regular channels of commerce and pays the custom house duties. The chief imports from Mexico are horses, ponies, mules, cattle, sheep, goats, kids, tobacco, fine woods, hides and skins, dyes, caoutchouc, fruits, filagree jewelry, chocolate and aloes.

To people living in the Middle and Eastern States, the Pacific coast is so far away that its commercial importance is almost lost to sight. Beyond the Rocky Mountains a new order of things set in. The inhabitants of the Pacific Slope turn their faces to the West when they look for the ships that come from the East. The States of Washington, Idaho, Oregon, Nevada and California, and the Territories of Utah and Arizona, receive nearly all their imported wares by way of the ports on the Pacific coast.

San Francisco is the capital of the Pacific Slope, and to this port come ships from the four quarters of the globe. From Europe, sailing vessels come by way of Cape Horn, and from across the Pacific Ocean, vessels of all kinds come from China, Australia, and the East Indies. Nearly all the steel and

iron used in the Pacific States come from England in sailing vessels; it being cheaper to bring bulky articles this long distance by water than it would be to transfer them from vessels to cars at New York.

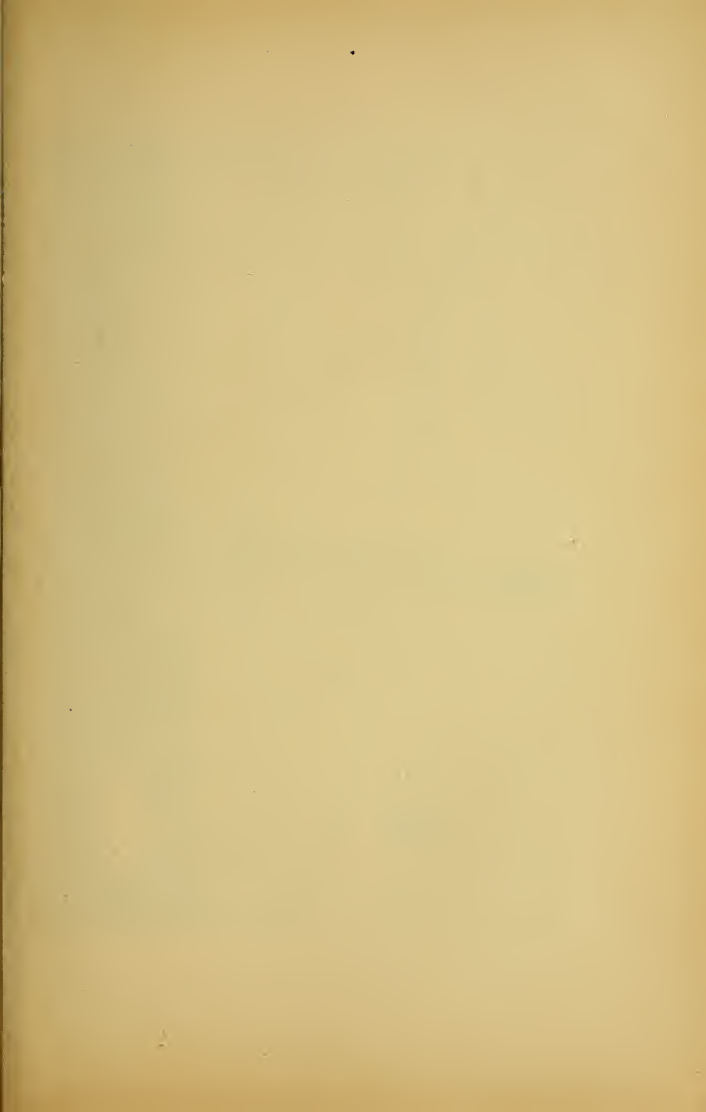
The port at San Francisco is the great Chinese depot of this country, not only on account of the products of China, which are entered here, but also on account of the number of Chinese immigrants that annually come to San Francisco. The new law restricting Chinese emigrants from coming to this country has not operated in entirely keeping the Chinaman from our shores. It is easy to enforce the law when the emigrant from China comes on a steamer that enters the Golden Gate, but the wily Celestial does not enter the United States in that way. He lands at Victoria in British Columbia, or at Ensenada in Mexico, and then enters this country by a flank movement. As has been described in previous chapters, the Mexican and Canadian frontiers are poorly guarded, and the Chinaman has no trouble in crossing the line.

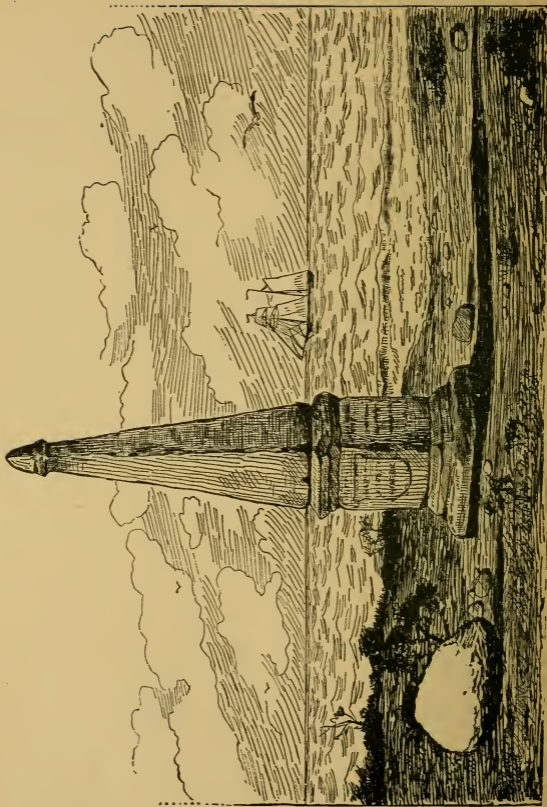
The Pacific coast is guarded by revenue cutters in the same way that the Atlantic coast is, but the shore is not patrolled by policemen except in a few places. A great deal of smuggling is done in and

around Puget Sound, and several special watchmen are on duty there.

The following are the tonnage and the import duties received at the principal ports on the Pacific coast for the year ending June 30, 1890:

District.	Tonnage.	Customs Duties.
San Francisco.....	\$38,523.16	\$8,356,328.15
Willamette.....	1,937.16	521,019.00
Puget Sound.....	8,014.83	121,773.73
San Diego.....	2,780.59	67,655.70
Astoria.....	1,570.95	43,440.70
Wilmington.....	961.82	35,699.53
Sitka.....	480.86	6,445.97





MONUMENT MARKING MEXICAN BOUNDARY.

CHAPTER XV.

THE NORTHERN FRONTIER.

FROM Blaine in the northern part of Washington to Pembina in North Dakota, a distance of 1,200 miles, there are no custom houses. The Canadian Pacific Railroad in British Columbia and the Northern Pacific Railroad in the United States run parallel to each other for this distance, but there is no road connecting them between Blaine and Pembina. The mountainous and wild country between British Columbia and the United States is quite impassable, hence there is no need for custom houses along this part of the frontier. At Pembina, on the St. Paul and Minnesota Railroad, there is a custom house, and also at St. Vincent, on the Manhattan road. These are the outlets from Manitoba to the United States, and nearly all merchandise imported into this country from that province is entered either at Pembina or St. Vincent. Lumber, seed-wheat, fish, and furs are the chief articles imported into the United States from Assiniboia and Manitoba.

Traveling eastward from St. Vincent, we soon

enter the dense forests surrounding the Lake of the Woods and Rainy Lake River. In these trackless forests of northern Minnesota there is no need of custom houses. Traveling southward along the shore of Lake Superior the first port of entry of any importance that we next find is Duluth. Ashland, Wisconsin, is also an important port of entry, and a great deal of lumber is entered here. The next important port is Milwaukee, and then comes Chicago, one of the greatest ports in the United States. Chicago is to the Northern frontier what New York is to the Atlantic seaboard, or New Orleans to the Gulf coast. Chicago is the capital of the North and West, and its situation at the head of the great lakes gives it a commercial supremacy which will in time make it the greatest port in the United States. It is not necessary to enter into a minute description of the port of Chicago. Like the ports of New York or San Francisco it is too extensive, and its subdivisions and ramifications are too intricate to be described. The new public store at Chicago is the finest in the United States. During the World's Fair a special bonded warehouse will be built at Jackson Park for the accommodation of foreign exhibitors. This arrangement will permit them to bring goods here

from a foreign country and return them after the fair is over without being required to pay any duties.

The peninsular of Michigan, surrounded as it is by Lake Michigan, Lake Huron and Lake Erie, is indented by many harbors, and its shores are thickly studded with custom houses. The most important port, however, is Detroit, situated on Detroit River, at the foot of Lake St. Claire. The chief articles imported into the United States from Ontario are barley, fish, furs, hides, wood pulp, lumber, gypsum and bituminous coal.

Many smuggling schemes have their headquarters at this place. The Detroit River is a narrow channel, and the nearness of railroad facilities greatly aid the clandestine introduction of merchandise into this country. More opium is, perhaps, smuggled into the United States by way of Detroit than by way of any other point.

For the purpose of entering opium at San Francisco free of duty, a most circuitous route is taken. It is shipped from China to Victoria, B. C., and from there to some point in Canada—say Windsor, which is directly opposite to Detroit. It is then an easy matter, with the aid of confederates in the United States, to smuggle the article across the

river into Detroit, and from there to San Francisco. This is a long way around from Victoria to San Francisco, but it pays, because the duty is twelve dollars per pound on opium, and by this circuitous route the importers manage to avoid the heavy duty.

There are many curious and ingenious ways resorted to in order to get the opium from Canada into Michigan without detection. There was one method which the inspectors at Detroit did not discover for a long time. It consisted in bringing opium across the river in vegetable market wagons. On the Canadian side are a number of gardeners who market the products of their little farms in Detroit. In examining and collecting the duties on their truck, it never occurred to the officials to look for a box of opium at the bottom of a potato sack or under a pile of cabbage. Of course, there were but few market gardeners engaged in this practice, and nearly all those engaged in dealing in the contraband goods were professional smugglers disguised as gardeners.

For a long time a regular system of smuggling opium across the Detroit River was kept up right under the eyes of the inspectors. At night the shore within the city limits of Detroit is patrolled by watchmen, but there are only a few of them,

and their beats are necessarily long ones. The smuggler on the American side would take up his position near one end of a watchman's beat, while his confederate on the Canadian side would take up a position opposite to him. When the watchman was well out of sight the smuggler on the Detroit side would display a light or swing a lantern as a signal that the coast was clear. A boat would then dart out from the opposite shore and swiftly shoot across the river. If the smugglers did not have time to unload the boat they would lay quiet until the watchman returned and again started on his round, when they would hastily unload.

In the winter, opium is smuggled across the channel by the sled-load. Many Chinese slide into this country by the same smooth and quiet way of traveling. The Chinese are brought to some point near the American line along the Detroit or St. Clair River and then taken across, at night, in sleighs, to some little depot on the American side, where they again take up their journey.

The other principal ports of entry on the lakes are Cleveland, in Ohio, and Buffalo and Oswego, in New York. The chief imports at these places are lumber, barley, furs and fish from Canada.

The great lakes are guarded by a fleet of revenue cutters, but the frontier, between New York, Vermont, New Hampshire and Maine, in the United States, and Canada, in the British possessions, is poorly protected. This frontier is not patrolled in any manner, and the only custom houses are at the railway stations between the United States and Canada. The only guards are the iron posts which stand like sentinels on the boundary line at a distance of half a mile apart. These posts mark the line between the United States and Canada as settled by the survey of 1842.

Along the New York and Vermont frontier, every few miles, can be found what is known as the "line store." These stores are built on the boundary line, part of the store being in Canada and part in the United States. The chief object of these stores is to avoid the payment of the government license required of retail dealers in liquor. Another object is to avoid the customs duties on such articles as are generally sold in country stores. They are closely watched, however, and not much is done in the way of evading customs duties. But as respects the avoidance of the government license tax, the scheme is almost perfection itself. When the American customer comes to buy whisky he

must go to the Canada side of the store, but when a Canadian wants his jug filled he must go over to the counter on the American side. On Saturday afternoons and rainy days, it is a common sight to see two lines of customers going and coming, one from Canada and the other from the United States.

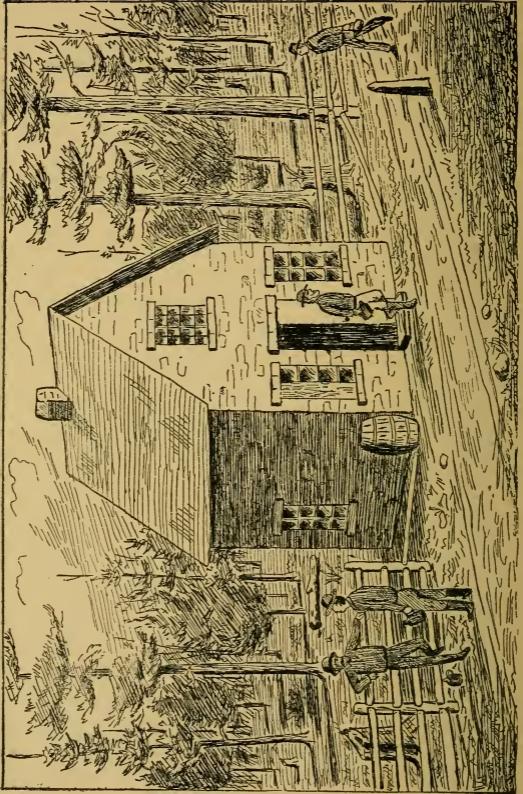
The proprietor escapes paying a tax in the United States, for the reason that he does not sell liquor to a citizen of this country on American soil, and the government cannot prove that the proprietor sold liquor on the American side to a Canadian, because the government cannot bring a foreigner into this country as a witness.

The country along the northern line of New York and Vermont is not very thickly settled, and the people living there are rather old fashioned, yet in a quiet and prosy way there is a good deal of smuggling going on. It is a wonder that this part of the frontier is not better guarded. There are no police regulations whatever. The inspectors at the railway stations go to bed and to sleep at night, and the bars between Canada and the United States are left down, with no one to watch them. That the smugglers living along the line make the most of this opportunity is a matter of common notoriety in this part of the coun-

try. Why should smuggling not be an easy matter? A look at the picture given here of the line store will satisfy anyone that the natural obstructions are not great. The strip of timber back of the store belongs to Bridget Johnson, an old widow lady who lives four miles north of Mooer's Junction, in New York. When the inspector is asleep down at the Junction, there is nothing to prevent a set of smugglers from having their own way. All they have to do is to open the gates or lay down the fences on Mrs. Johnson's farm and bring through anything they wish. What is true of this particular locality is true all along the line.

The following table shows the amounts received from tonnage and customs duties at the leading ports of entry along the northern frontier for the year ending June 30, 1890:

District.	Tonnage.	Customs Duties.
Chicago, Ill.....	\$16.23	\$5,043,747.44
Buffalo, N. Y.....	17.43	817,061.06
Oswego, N. Y.....	774.42	558,302.78
Detroit, Mich.....	85.74	493,894.03
Niagara, N. Y.....	.....	403,747.86
Champlain, N. Y.....	2,376.27	383,027.17
Cleveland, Ohio.....	276.38	304,921.52
Milwaukee, Wis.....	.....	301,459.39
Genese, N. Y.....	129.24	240,661.85
Ogdensburg, N. Y.....	132.69	196,305.84
Huron, Mich.....	.....	53,905.86
Cape Vincent, N. Y.....	.....	45,046.69
Erie, Pa.....	.....	11,353.35



THE LINE STORE.

CHAPTER XVI.

THE INTERNAL REVENUE.

THE tax received from the internal revenue is the next most prolific source of income to the government. The revenue tax is an excise tax, and is levied chiefly on distilled spirits, malt liquors, cigars and tobacco. The system under which the internal revenue tax is collected is almost perfect, and the excise taxes of this country are collected at much less expense than are the customs duties.

The method of collecting the internal revenue is entirely separate from the system of collecting the customs duties. They are both branches of the Treasury Department, but the systems are entirely distinct and have nothing in common. The customs districts, or ports of entry and delivery, are established by Congress, while the internal revenue districts are designated by the President. There is no attempt made to make these districts correspond to each other, and with one or two exceptions the internal revenue districts, designated by the President, and the customs districts, estab-

lished by Congress, are entirely dissimilar. The number of revenue districts designated by the President are made entirely with reference to the volume of business in a State, and with a view to the convenience of the government in collecting the revenue. In Iowa there are two revenue districts, while in Kansas there is but one. Connecticut and Rhode Island are comprised in one district, owing to the smallness of these States. Kentucky being a great tobacco producing State, and also containing a great many distilleries, is divided into five collection districts.

The internal revenue tax, or stamp tax, is very simple in operation, and is easily understood. The first step taken in collecting the revenue tax may be said to begin in the Bureau of Engraving and Printing at Washington, where the revenue stamps are made under the direction and by order of the Commissioner of Internal Revenue. The stamps are furnished to the collectors of the different districts, who in turn sell them to distillers and manufacturers of tobacco. Before a distiller of fermented liquors can sell a barrel of beer he must pay to the government a tax of one dollar a barrel. To do this he must go before the revenue collector of his district and buy a one dollar revenue stamp and paste

it on his barrel of beer. The stamp thus fastened to the barrel of beer is a receipt showing that the tax on that particular cask of beer has been paid. In the same way a tobacconist who puts up a box of one hundred cigars, must pay a tax of thirty cents to the government, and the receipt or stamp that he gets for the thirty cents he must fasten to the box of cigars. The reason for requiring articles subject to a revenue tax to be stamped with these receipts, is to enable the revenue officers to more easily collect the internal revenue, and it is a system which greatly reduces the chances of the manufacturers evading the taxes.

This is a somewhat elementary statement of the internal revenue system, but the subject will be developed and more fully elucidated in the next chapter.

The table given below will show from what sources the internal revenue is derived, and the total amounts received from all internal revenue sources for the last two years:

OBJECTS OF TAXATION.	Receipts during fiscal year ended June 30, —	
	1889.	1890.
SPIRITS.		
Spirits distilled from apples, peaches and grapes.....	\$1,165,371.91	\$1,357,316.72
Spirits distilled from materials other than apples, peaches and grapes.....	68,281,803.93	75,181,685.90
Rectifiers (special tax).....	166,645.77	184,700.09
Retail liquor-dealers (special tax).....	4,296,780.04	4,534,174.81
Wholesale liquor-dealers (special tax).....	391,975.28	421,738.57
Manufacturers of stills (special tax).....	1,216.70	1,006.70
Stills and worms manufactured (special tax) ..	3,160.00	4,240.00
Stamps for distilled spirits intended for export	5,252.70	2,512.30
Total.....	\$74,312,206.33	\$81,687,375.09
TOBACCO.		
Cigars and cheroots.....	\$11,602,156.92	\$12,263,669.95
Cigarettes.....	1,075,830.68	1,116,627.34
Snuff.....	645,089.57	737,731.27
Tobacco, chewing and smoking.....	17,076,899.94	18,325,481.36
Dealers in leaf tobacco (special tax).....	48,841.72	44,492.40
Dealers in manufactured tobacco (special tax).	1,280,015.93	1,331,118.24
Manufacturers of tobacco (special tax).....	5,128.25	5,197.50
Manufacturers of cigars (special tax).....	120,195.53	122,896.49
Peddlers of tobacco (special tax).....	12,701.88	11,776.51
Total.....	\$31,866,860.42	\$33,958,991.06
FERMENTED LIQUORS.		
Ale, beer, lager-beer, porter, and other similar fermented liquors.....	\$23,235,863.94	\$25,494,798.50
Brewers (special tax).....	178,593.95	172,908.47
Retail dealers in malt liquors (special tax)....	139,792.38	147,673.16
Wholesale dealers in malt liquors (special tax)	169,584.99	193,154.61
Total.....	\$23,723,835.26	\$26,008,534.74
OLEOMARGARINE.		
Oleomargarine, domestic and imported.....	\$677,302.40	\$619,203.72
Manufacturers of oleomargarine (special tax).	12,400.00	11,700.00
Retail dealers in oleomargarine (special tax).	130,631.51	100,068.00
Wholesale dealers in oleomargarine (special tax).....	73,914.00	55,318.00
Total.....	\$894,247.91	\$786,291.72
BANKS AND BANKERS, NOT NATIONAL.		
Banks, bankers, and other parties liable on amount of notes of any person, State bank, or State banking association, or of any town, city, or municipal corporation paid out by them.....	\$6,213.91	\$69.90
Total.....	\$6,213.91	\$69.90
MISCELLANEOUS.		
Collections not otherwise provided for.....	\$6,078.48	\$16,713.16
Penalties.....	84,991.89	136,720.90
Total.....	\$91,070.37	\$153,434.06
Aggregate receipts.....	\$130,894,434.20	\$142,594,696.57

CHAPTER XVII.

OFFICERS OF INTERNAL REVENUE.

THE chief officer of the internal revenue system is called the Commissioner of Internal Revenue. He is appointed by the President, with the advice and consent of the Senate, and has his office in the department of the treasury. The commissioner of internal revenue has the general superintendence of the assessment and collection of the internal revenue taxes; and he prepares and distributes all the instructions, regulations, directions, forms, blanks and stamps pertaining to the collection of the revenue taxes. The commissioner receives a salary of six thousand dollars a year, and is assisted by a deputy commissioner and a number of clerks.

The next officers in line of importance after the commissioner are those of collectors. The President appoints a collector for each collection district in the Union. Every collector, before entering upon the duties of his office, is required to execute a bond for such amount as may be prescribed by the commissioner of internal revenue for the faithful performance of the duties of his office according to

law. Collectors of internal revenue have the power to appoint deputy collectors for their respective districts, but a collector must not appoint more than two members of the same family to positions in the revenue service of his collection district.

Collectors are required to give their personal attention to all their official duties. They are not allowed to leave their districts without first making application to the Secretary of the Treasury for leave of absence. The collector must not even leave his office to visit some other portion of his district without first notifying the commissioner of his intended absence and reporting the name of the deputy left in charge of his office.

The principal work of the collectors and their deputies is to collect all revenue taxes imposed by law in their respective districts. The collector must send his deputies through his district to canvass for objects of taxation. It is not sufficient that collectors assess and collect the revenue taxes which are in sight, but they are especially required to search for sources of revenue that do not appear on the surface. They must require their deputies to visit all parts of their respective districts at least once a month. The deputies are required to make frequent visits to distilleries, breweries, tobacco

and cigar manufactories, and all places where taxable objects are kept. A collector, to efficiently supervise the work of his deputies and other subordinate officers, should be familiar with the construction of distilleries and breweries, the process of producing and manipulating distilled spirits, the manner of brewing fermented liquors, the manufacture of cigars, tobacco, opium and oleomargarine.

The next officers of importance are the gaugers. The internal revenue gaugers are appointed by the Secretary of the Treasury upon the recommendation of collectors, indorsed by the Commissioner. The duty of a gauger is to measure and ascertain the amount of distilled spirits in his district. The revenue from distilled spirits largely exceeds that from any other source, and to the gauger is intrusted the responsible duty of determining the tax due from this product. In order that the government may secure a just tax from this source, it is necessary that the gauger execute his work with the utmost fidelity, accuracy and care. The gauger's office is so important that it is strange that the law declares that the compensation of a gauger shall not exceed five dollars per day.

Before an internal-revenue gauger can be assigned to duty, he must take an oath to faithfully perform

his duties, and he must give a bond for not less than five thousand dollars, with sureties to be approved by the commissioner. The number of gaugers assigned to a revenue district depends entirely upon the number of distilleries and the amount of work to be done. The gauger works under the supervision and direction of the collector of the district to which he may be assigned, and the collector may assign gaugers to duty at any place within his district, or transfer them from one place to another at his pleasure.

In measuring the capacity of casks and packages and ascertaining the amount of gallons of spirits therein, the gauger must use the following instruments: The head-rod, the bung-rod, the mean-diameter scale, the wantage-rod, and the caliper. The law is so particular in reference to the duties of gaugers that it even specifies the kind of instruments that must be used. For instance, the wantage-rod to be used must be "Prime's Patent Wantage Rod." The instruments used in determining the proof of the spirits are the hydrometer and thermometer. Any thermometer may be used, but the hydrometer prescribed for use in the internal-revenue service is after the scale prepared by Professor McCulloch and adopted by the Treasury Department. To use any

other instruments than those prescribed would subject the gauger to dismissal from office, and he would be held responsible on his bond.

The methods used in ascertaining the amount of taxable gallons of spirits in a cask, and the rules followed in testing the "proof" of liquors and making allowances for "wantage," are too complex to undertake an explanation of the same in a work of this kind. It is sufficient to say that the "proof" of the spirits indicates the strength of it. Alcoholic liquor which contains one-half its volume of alcohol of a specific gravity of .7939 at sixty degrees Fahrenheit, is held to be proof spirits. A ten gallon cask of liquor at correct proof is held to be ten gallons, but if the liquor was a half stronger, that is if it contained three-fourths its volume of alcohol, it would be measured and taxed as fifteen gallons of spirits. Wantage is an allowance made for shrinkage where spirits have been in warehouses for a long time, and is figured up by the gauger from tables and averages furnished him by the commissioner of internal revenue.

It is the duty of the gaugers to put upon each cask or package gauged by them all the marks, brands and stamps required by law and regulations; and to see that in all respects each cask or package

is in a condition to be put upon the market without being subjected to detection or seizure. The gauger must personally gauge the packages, and determine the volume and the true per cent. of proof of their contents. He must also "with his own hands" put upon each cask or package the revenue stamps required, and under no circumstances must the gauger delegate these duties to an assistant. So particular and careful must the gauger be in doing his work, that he must not allow his stencil, with which he cancels stamps after having affixed them to casks, to go out of his possession for one minute. Gaugers are made the custodians of the receiving-rooms at distilleries, and are held responsible for the safe keeping of the spirits run into the receiving cisterns until drawn off by them and delivered in proper manner into the custody of the storekeeper at the distillery bonded warehouse.

Storekeepers are the next important officers that belong to each collection district. They are appointed by the Secretary of the Treasury and receive four dollars a day for their services. They must give bond for the faithful discharge of their duties in such form and for such amount as the commissioner may prescribe.

The number of storekeepers in a district depends

upon the number and size of the distilleries. Large distilleries and breweries that run day and night must have two or more storekeepers. The storekeeper has charge of the storage room, or warehouse, which must adjoin each distillery, and no one, not even the owner, can enter the warehouse except in presence of the storekeeper. When the storekeeper leaves the warehouse he locks the doors with a government lock and keeps the key in his own possession.

Storekeepers are required to be present at their places of duty during the hours for which they are assigned. Those assigned to day duty are required to be present at the place of duty during all the hours of the day, and night storekeepers during all the hours of the night, whether the distilleries are operated or not. The storekeeper superintends the weighing of the meal before it is put into the mash tub, and makes a record of the hour and minute when the fermenting tubs are filled. He is to note carefully the character and condition of all connections, pipes, tubs, or vessels used for conducting spirits in the course of distillation, to see if they are continuous and closed, as required, and if the distiller can have any access to the spirits while in transit. He is required to be present at the draw-

ing of all spirits from the receiving cisterns, and at the gauging, marking, branding and stamping of all packages of spirits put up on the distillery premises, and he is held jointly responsible with the gauger that all the duties connected therewith are faithfully performed. Whenever a storekeeper finds anything wrong about the distillery premises, or has reason to suspect that the law has not been fully complied with, it is his duty to report the same to the collector of the district.

There is yet another class of officers to be considered. These are the special agents, who, in a measure, act as detectives, and who travel from one district to another. There are only twenty of these special agents, and they are appointed by the Commissioner of Internal Revenue. These agents have extensive powers conferred on them, and they may enter a distillery at any time and make an examination of the premises, and they have the right to look over the books of a collector at any and all times, whenever, in their opinion, the accounts of a collector need to be looked into. It will be seen that these special agents are to act as a check or guard upon the other internal revenue officers. As the collectors, storekeepers and gaugers never know when to look for the special agent, the result is that

they are usually prepared for a visit from this officer. The uncertainty of the agent's coming and the suddenness with which he is known to sometimes appear, has a salutary effect upon the collector and his officers. Unless a collector is supposed to be dishonest, however, a special agent is never sent to examine into the accounts of his office.

In consequence of the limited number of special agents and the extent of the territory over which they must travel, requires that the agent should be industrious and vigilant. He must be thoroughly familiar with the internal revenue laws, the regulations of the commissioner's office, the powers and duties of officers, and the construction and operation of distilleries, rectifying houses, breweries, and tobacco, cigar, opium and oleomargarine manufactories. Especially must the agent be acquainted with the appearance of all revenue stamps and the method of cancellation. He must be an expert in examining and detecting frauds that are sometimes attempted by the use of counterfeit or the re-use of genuine stamps.

It is the duty of the special agent to visit wholesale liquor dealers as often as possible, to see if they are complying with the law. In visiting the wholesale liquor dealer's store the agent should make it

a point to find out whether the dealer is liable to pay the special tax of a rectifier. As every rectifier must pay a special tax of \$100, there is occasionally a small wholesale dealer who endeavors to evade this tax. Should the agent find any burnt sugar, syrups or flavoring extracts around the premises of a wholesale liquor dealer, he is apt to make a thorough examination with the result, usually, that the dealer is also a rectifier. The rectifying houses must also be frequently visited by the agents, and if any irregularities are discovered the agent must enter into a minute examination of the establishment. It requires skill and a thorough knowledge of revenue affairs to discover frauds in rectifying houses. In the same way the agent must visit and examine breweries, cigar factories, tobacco and snuff manufactories, and all places where oleo-margarine and opium are made. These must be examined in the same careful and pains-taking manner as are distilleries and rectifying houses.

Special agents are always men of considerable intelligence and long experience in revenue matters. They receive large salaries, but the amounts are not fixed by law. An appropriation is made for these officers, but the amount that each one is to receive is left in the hands of the commissioner.

CHAPTER XVIII.

DISTILLERIES.

EVERY person who produces distilled spirits, or who brews or makes mash, wort or wash, fit for distillation, or for the production of spirits, or who, by any process of evaporation, separates alcoholic spirits from grain, molasses, fruit or any other substances fermented, or who, making or keeping mash, has also in his possession a still, is, under the provisions of law, regarded as a distiller.

Every person having in his possession or under his control any still, whether it is purchased from another or whether it is a new still just set up, is required to register the same with the collector of the district in which such still is located. Any still or distilling apparatus must be registered, whether intended for use or not. Any still not so registered is subject to forfeiture to the United States, and the owner is subject to pay a penalty of five hundred dollars and to a fine of one hundred dollars, and to imprisonment for a term not to exceed two years.

Every person who wishes to engage in the busi-

ness of distiller, must, before he commences operation, give notice of such intention to the collector of the district, who forwards a copy of the notice to the Commissioner of the Internal Revenue. The next step of the person intending to start a distillery is to have made, under the direction of the collector of the district, an accurate plan and description of the distillery and distillery premises. The law is very exacting in regard to the plans of a distillery, and exacts an accurate plan and description of every "boiler, doubler, worm-tub, and receiving-cistern, the course and construction of all fixed pipes used or to be used in the distillery, and of every branch and every cock or joint thereof, and of every valve therein, together with every place, vessel, tub, or utensil from and to which any such pipe leads, or with which it communicates." One copy of this plan and description shall be kept displayed in some conspicuous place in the distillery, one copy furnished to the collector of the district, another copy transmitted to the Commissioner of Internal Revenue. This minute and exhaustive report of the plan of a distillery, would indicate that Uncle Sam starts out with the determination of not being defrauded out of any part of the internal revenue.

After having complied with these requirements

the distiller must, before he begins active operations, give a special notice to the collector of the district, and file a bond with the Commissioner of Internal Revenue conditioned that he shall faithfully comply with all the provisions of law relating to the duties and business of distillers, and that he shall pay all penalties incurred or fines imposed on him for a violation of any of the provisions of law.

Distilleries must be constructed in accordance with the regulations of law. These specifications are set forth with much detail. To begin with, the door of the furnace of every still or boiler used in any distillery must be so constructed that it may be securely fastened and locked. This must be so done that the government locks may be applied, and so as to effectually prevent the doors from being opened, or the fires lighted in the furnace when locked. Then the fermenting tubs must be so placed as to be easily accessible to any revenue officer, and must each have painted thereon in oil colors its cubic contents in gallons, with the number of the tub, in figures not less than three inches in length and two and a half inches in breadth, which number must correspond with that given in the notice and on the plan. And then there must be a clear space of not less than one foot around every wood still,

and not less than two feet around every doubler and worm-tank. Pipes must be painted as follows: Those for the conveyance of mash, a red color; those for the conveyance of low wines back into the still or doubler, blue; those for the conveyance of spirits, black, and those for the conveyance of water, white. The distillery must be so constructed as to render it impossible for more grain to be added to the mash without the knowledge of the storekeeper, after the proper quantity of each kind of grain has been weighed out by him. It is therefore prescribed that, in all grain distilleries, the meal-room shall be locked and otherwise secured by proper fastenings, and the meal-hoppers, through which the meal is conveyed to the mash-tub, shall be securely covered and locked, the storekeeper having possession of the keys.

The owner or agent of any distillery must erect two or more receiving cisterns, each one to be at least of sufficient capacity to hold all the spirits distilled during a day of twenty-four hours. These receiving cisterns must be placed in a room constructed in such a manner that no person can enter in the absence of the gauger without detection. The ceiling and walls inside of this room must be plastered or cased with matched boards. The floor

must be of brick or stone laid in cement, or if the floor is of flooring plank, it must be tongued and grooved and laid double. To the windows must be affixed solid shutters of wood or iron, so constructed that they may be securely barred and fastened on the inside. The door must be thick and substantial, and so constructed that it may be securely locked and fastened. The cistern-room is under the care and supervision of the storekeeper, and the object of having it constructed and guarded as here described is to prevent the owner of the distillery from drawing off liquors, after they have been made, before the spirits have been gauged and the revenue tax paid.

The law requires every distiller to provide, at his own expense, a warehouse suitable for the storage of distilled spirits, which must be situated on and constitute a part of his distillery premises. No dwelling house can be used for such purpose, and no door, window, or other opening can be made or permitted in the walls of such warehouse, leading into the distillery, or into any other room or building. This warehouse must be approved by the collector of the district before it can be used to store liquors in. The owner of the distillery must furnish to the collector a description of the ware-

house, setting forth its dimensions in length, width and height, and number of rooms; describing particularly all the openings and connections. Upon receipt of this application the collector will make a careful examination of the premises proposed, and if they are found to be in conformity with the requirements of law and the regulations, he must indorse his approval thereon, and transmit the application to the commissioner's office at Washington.

After distillation, spirits are conducted by means of pipes to the large vats in the cistern room, where the spirits are kept for a day or two, under the care and watch of the storekeeper. From the cistern room the spirits are drawn off in barrels, under the joint supervision of the storekeeper and the gauger. As the spirits are placed in barrels, the gauger tests the proof and estimates the number of gallons drawn off. After the spirits are placed in barrels, they are removed to the bonded warehouse adjoining the distillery. Here the spirits are kept, under the charge of the storekeeper, until such time as the owner may desire to place a quantity of his liquors upon the market. He is not required to pay the revenue duty until he desires to move the distilled product from the bonded warehouse, pro-

vided he moves the spirits within three years after having placed them in bond. When spirits are removed for sale, the gauger is again present, and sees that every cask and barrel removed has upon it the proper revenue stamp.

The total amount of spirits gauged for the fiscal year ending June 30, 1890, was 324,175,208 gallons. This statement does not include fermented liquors, of which 25,494,798 barrels were brewed.

The following statement shows the number of distilleries registered and operated during the year 1890:

STATES AND TERRITORIES.	Grain.		Molasses.		Fruit.		Total registered.	Total operated.
	Registered.	Operated.	Registered.	Operated.	Registered.	Operated.		
Alabama.....	5	4	.....	.....	151	151	156	155
Arkansas.....	39	37	.....	.....	42	42	81	79
California.....	1	1	.....	.....	286	274	287	275
Connecticut.....	3	3	.....	.....	43	43	46	46
Georgia.....	104	96	.....	.....	462	459	566	555
Illinois.....	18	18	.....	.....	18	11	36	29
Indiana.....	14	14	.....	.....	56	46	70	60
Iowa.....	1	1	.....	.....	3	3	4	4
Kansas.....	.....	.....	.....	.....	2	2	2	2
Kentucky.....	393	388	1	1	477	468	871	857
Louisiana.....	.....	.....	.....	.....	20	20	20	20
Maryland.....	23	23	.....	.....	35	35	58	58
Massachusetts.....	1	1	8	8	3	3	12	12
Minnesota.....	2	2	.....	.....	.....	.....	2	2
Missouri.....	50	47	.....	.....	76	73	126	120
Nebraska.....	1	1	.....	.....	.....	.....	1	1
New Hampshire.....	.....	.....	1	1	1	1	2	2
New Jersey.....	1	1	.....	.....	61	61	62	62
New Mexico.....	.....	.....	.....	.....	5	5	5	5
New York.....	2	2	.....	.....	52	52	54	54
North Carolina.....	529	426	.....	.....	1,562	1,549	2,091	1,975
Ohio.....	28	23	.....	.....	39	33	67	56
Oregon.....	.....	.....	.....	.....	7	7	7	7
Pennsylvania.....	109	108	.....	.....	13	13	122	121
South Carolina.....	18	17	.....	.....	52	52	70	69
Tennessee.....	92	85	.....	.....	204	203	296	288
Texas.....	9	8	.....	.....	26	26	35	34
Virginia.....	85	83	.....	.....	1,137	1,130	1,222	1,213
West Virginia.....	4	4	.....	.....	51	42	55	46
Wisconsin.....	4	4	.....	.....	.....	.....	4	4
Total.....	1,536	1,397	10	10	4,884	4,804	6,430	6,211

CHAPTER XIX.

REVENUE FROM DISTILLED SPIRITS.

THE reader may think it strange that in a work treating of the financial income of the United States, that so much has been said about distilleries and breweries, the mere mention of which suggests the odor of sour mash and fermenting malt. It is an uninteresting and prosy subject, but so long as the government receives a tax from distilled spirits, a work of this kind would not be complete, unless it enters fully into the details of collecting the tax from this source.

The government is not in partnership with distilleries, but it has to a certain extent a proprietary right in every distillery and brewery in the United States, and to protect its rights and to prevent frauds, the government has an agent to stand over every still-tub and a guard to watch every barrel of whisky that is made. It is not the intention here to criticise this feature of our internal revenue law, because watchful interest in every still is necessary to carry out one of the best indirect systems of taxation that was ever devised. If we must have an

excise tax there is certainly no one article upon which it can be placed to better advantage than upon distilled spirits.

The government control of distilleries does not encourage this industry, but acts as a check upon what would otherwise be free and unlimited manufacture of alcoholic spirits. Rum is not a necessity, and by making it expensive, it curtails its use, and, in addition, affords a revenue to the government.

If it were not for the two-hundred-dollar license that every still must pay, who doubts but that every neighborhood would be supplied with a still? As it is, only those who enter the business on a large scale can afford to pay the license and the revenue tax. This curtails the number of distilleries, and must, in a measure, lessen the amount of spirits produced. Before distilleries had to pay a license, and when there was no revenue tax on alcoholic spirits, there was hardly a village in the country that was not supplied with a distillery, and the farmers hauled their corn to the still as they now take their cane to a sorghum mill or their apples to a cider press. All who are familiar with the history of this country, know that in the days when there was no internal revenue tax on distilled spirits, distilleries were as numerous as grist mills,

and whisky as plentiful as cider. The result was that, being cheap, it was drunk freely and copiously.

But the object of this chapter is to explain how, where and when the revenue tax is collected on distilled spirits. For this purpose let us follow the government agents in the discharge of their duties from the time the grain arrives at the distillery until it comes out as distilled spirits, and the government has received the revenue tax on the same.

To begin with, when a wagon or car load of grain comes to the distillery, it is weighed by the government storekeeper, as well as by the owner of the distillery, and then placed in the grain room, which is under the joint care of the storekeeper and the owner of the distillery. The storekeeper is present when the meal is weighed off and put in the fermenting tub, and he makes a note of the hour when the fermenting begins in each tub. He must watch that no more meal is added to the tubs, and at noon on each day thereafter, and until the doubling is made, he must note the temperature and gravity of the mash in the fermenting tubs. He must also note the hour and the minute when each fermenting tub is emptied.

When distillation is complete, the spirits condense

in the long coil of pipes and empty into one of the receiving cisterns in the cistern room. As before explained the cisterns are under the watch of the storekeeper, and there is but one set of pipes by which the liquor can be taken out, and the faucets to these are locked and the gauger holds the keys. It must be remembered that as the liquor is distilled it runs directly to these cisterns, and the pipes leading from the still to the cisterns are so constructed and are so carefully guarded by the revenue officials that the owner of the distillery cannot draw off a drop of the spirits belonging to himself until it reaches the cistern room, and then he can only draw it from the cisterns in the presence of the storekeeper and gauger. Cisterns must be emptied at least once every three days. At such times, the gauger comes with his gauging instruments and a supply of warehouse stamps. The owner of the distillery, or his agent, the storekeeper and several assistants are usually present. The gauger tests the "proof" of the spirits, and ascertains the number of gallons in each barrel or cask as it is filled from the cistern. He then pastes upon each package a warehouse stamp, on which is written the number of gallons of spirits in the package. This warehouse stamp permits the owner to

remove the spirits to the bonded warehouse which is connected with the distillery.

When a distiller wishes to remove spirits from the bonded warehouse he must make an application to the collector of the district for a permit to do so. When this is granted, the distiller buys enough revenue stamps to pay the tax on the quantity of spirits he wishes to remove from the warehouse. These are always furnished in denominations that will exactly pay the tax on the package in the sizes in which they are usually put up. The stamp to pay the tax on a barrel of whisky costs about thirty dollars. If the distiller desires to remove fifteen barrels of spirits, he must purchase four hundred and fifty dollars worth of revenue stamps, or, in other words, he must pay a tax of four hundred and fifty dollars to the government of the United States, and the government's agent, the collector, must give the distiller fifteen thirty-dollar receipts, showing that this amount of taxes has been paid. The distiller then takes these receipts, or revenue stamps, as they are called, and pastes them on the barrels or casks in his warehouse. The gauger is again sent for, and this time he comes with his canceling stencil. The storekeeper must again be present, and if everything is regular and the proper tax-

paid stamp affixed to the barrels or casks, the gauger cancels the stamps, and, with a die, he cuts or burns upon the head of the cask the name of the distiller, the district, and the date of the payment of the tax.

This is the last act of the government in watching and guarding the manufacture of distilled spirits. Having followed the process from the time the grain came upon the distillery premises until it came out a distilled product, and then having guarded it until the tax is paid, the government turns the product over to the owner, and he may do with it as he pleases, except that wherever the packages go they must have affixed to them the revenue stamp, which is evidence that the tax has been paid.

The total amount of revenue taxes received from distilled spirits for the year ending June 30, 1890, was \$81,687,375.09.

CHAPTER XX.

REVENUE FRAUDS.

BEFORE the present methods of guarding the internal revenue were adopted, frauds were very common, and the government was annually cheated out of millions of dollars. In forming the present system for the collection of internal revenue, the government has profited by past mistakes, and the internal revenue system is now much more exact in its workings than the system of tariff duties on imports.

In 1865, when the tax was \$2 a gallon, many distilleries sold whisky for \$1.90 per gallon. It is evident that this could not be done unless the tax was evaded on more or less of the amount sold. Here is one of the methods by which frauds were committed at that time: The law allowed the distiller to remove spirits from one bonded warehouse to another before the tax was paid. With a privilege like this it was easy for the manufacturers to evade a good deal of the revenue tax. Under this law the manufacturer would secure a permit to remove his spirits from one warehouse to another.

Half a dozen wagon loads would be started at once, one of which would reach the second warehouse and five of which would be run off and hid. One reason why so many frauds were committed on the revenue during the war, and thereafter for several years, was owing to the high revenue tax on manufactured spirits. It paid to avoid the duty, and therefore the temptation to do so was great. Illicit stills sprung up everywhere, and it was not until a considerable reduction in the tax on spirits was made that the number of these stills were reduced.

But illicit stills were nothing compared with the wholesale frauds committed during Grant's second administration, and known as the "whisky frauds." These frauds were committed by the distillers and rectifiers of St. Louis, Chicago and Milwaukee, through the assistance of numerous officials of the government. The method of defrauding was by the secret shipment of whisky which was reported to be stored. Suspicion was first aroused in 1874 by a discrepancy discovered between the returns of shipments of the Merchants' Exchange of St Louis and those of the revenue officers. Benjamin H. Bristow, Secretary of the Treasury, was instrumental in breaking up this great conspiracy. The ring included many officials high in public life, be-

sides many collectors, gaugers, storekeepers, distillers and merchants and agents. The ring was powerful, and for a time it resisted every effort made to unearth the fraud and bring the guilty persons to justice. The secretary employed skilled detectives, and finally, after a number of secret examinations had been made, a general seizure in three cities was made May 10, 1875. Two hundred and thirty-eight persons were arrested, and \$3,500,000 worth of property was seized. It was on this occasion that President Grant wrote the famous sentence: "Let no guilty man escape." Many arrests and convictions followed, and the ring was soon broken up.

There is a peculiar method of running illicit stills known as "moonshining." An unregistered still in a city, hidden away in some cellar or attic, would be called an illicit still; but a still hidden away in some wild and thinly-settled section of the country is called a "moonshine" still, for the reason that these stills are usually operated at night. Formerly, moonshine stills were largely operated in the dark and secluded forests of Vermont, New Hampshire and Maine, but of recent years moonshining has been mostly confined to the mountainous region of the Southern States.

The Cumberland and Blue Ridge Mountains, which rise in Kentucky and Virginia, and extend into the North part of Georgia and Alabama, together with the Ozark Mountains of Arkansas and the hills of northern Mississippi, form the great moonshine belt of the United States. Through all this region the soil is thin and light, the land broken and rough, and in many places heavily timbered. In the sparsely settled districts the inhabitants are the most peculiar that belong to any section of our country. The uncivilized being who inhabits the mountain ravines of Kentucky and Tennessee, or who lives in the backwoods of Arkansas, is something of a mystery. The history of these native mountaineers has never been written. Through all the hilly region, from North Carolina to Arkansas, these people look and act alike, and speak a common jargon. They must have a common origin, and it is quite probable that the first inhabitants of the Carolina mountains were the white penal slaves that ran away from the old Virginia plantations. A vessel, manned by Turkish pirates, was wrecked upon the coast of North Carolina during the early part of the last century, and, as they flew to the mountains for refuge, it is supposed that they joined the colony of escaped penal slaves that were hiding

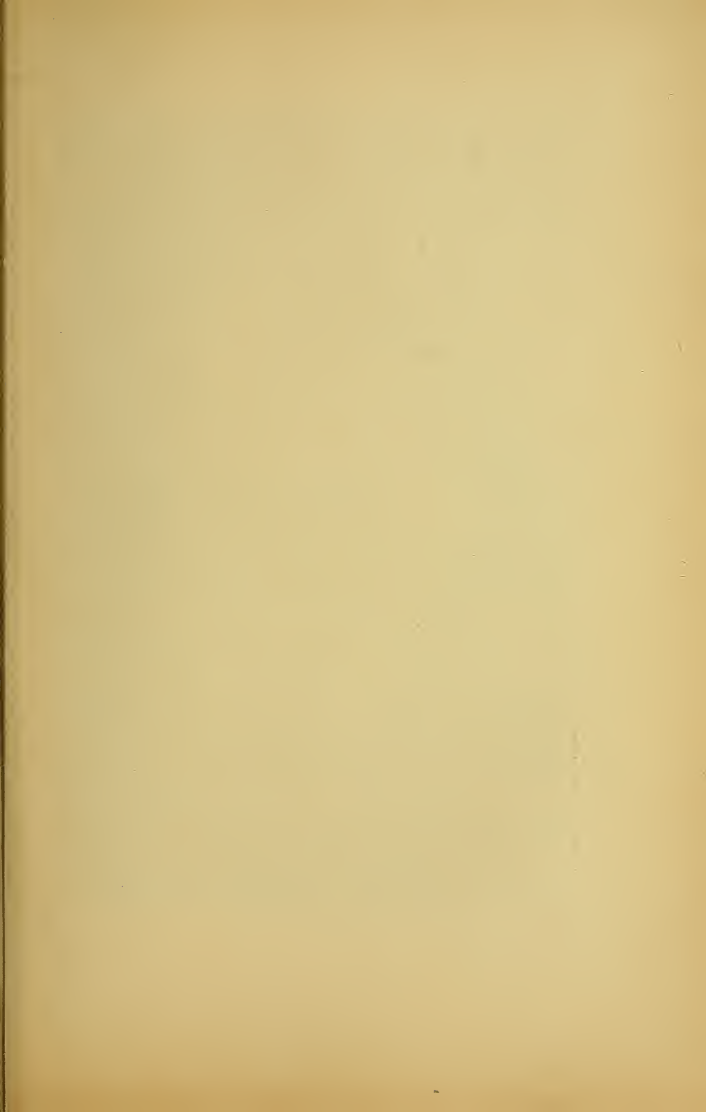
in these remote fastnesses. It is the descendants of these people who have spread all over the mountainous regions of the South, and are now the most skillful and dangerous of moonshiners. The solitary and secluded life they lead has a melancholy effect upon their naturally depraved and sullen natures. They are as morose and as revengeful as Indians. An injury is never forgiven, and the fire of the vendetta never goes out. These traits of character have long made the Southern moonshiner a troublesome character to the government.

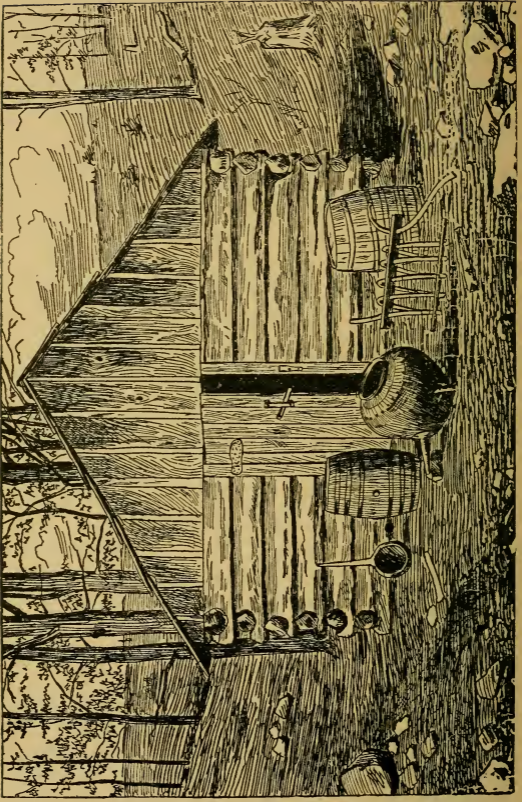
The moonshine stills, hidden away in the mountain ravines and defended by desperate men, are hard to get at, and the government has spent many thousands of dollars in attempting to suppress moonshining in the South. It is only within recent years that the efforts of the government in this direction have been partially successful. The method employed by the government in enforcing the law against these outlaws is by sending an armed posse of special agents and deputies to surprise and capture the moonshiners and destroy their stills. These raids are made only when the detectives have located a number of stills and outlined a plan which it is thought practical to follow. It often happens that these raids are unsuccessful, and many govern-

ment officials have lost their lives on these expeditions. Here is an account of a recent raid which was successful, and, fortunately, was prosecuted without loss of life.

For a good many years a district known as the Pearidge section of southern Kentucky and northern Tennessee had been infested by a desperate band of moonshiners, who had openly boasted that no revenue officers dare invade their territory. Several attempts had been made, at different times, to seize their stills, but without success. Several gallant officers lost their lives in these futile attempts to arrest the moonshiners of Pearidge. One of these officers was not only murdered in cold blood, but his body was never found. The moonshiners afterward said that it had been burned in the furnace of one of their stills, and that it made "good fuel to help make a doubling."

In October, 1889, information came to W. J. Wilmore, revenue agent for Kentucky, that several of the stills of the ringleaders could be located and guides furnished to any posse of government officers of sufficient strength to make a successful raid. Mr. Wilmore wrote to James S. Battle, revenue agent for Tennessee, and asked him to co-operate with him in a raid on the Pearidge district. It





A DESERTED STILL-HOUSE.

was finally decided to make a joint raid by Kentucky and Tennessee revenue officers. The general deputies, marshals and revenue officers, detailed to go on this expedition, met at Gallatin, Tennessee, December 10, 1889. The rest of the story can not be told better than in the words of Mr. W. G. Dunlap, who was one of the chief officers in charge of this expedition:

“ We secured good saddle horses and started at once for the scene of action. We reached Hartsville for dinner, and after a tiresome ride through a rainstorm that came up in the afternoon, reached Carthage for a late supper. Here we understood that our coming was known to the moonshiners, and they had sent us word that a reception committee of thirty-five, armed with Winchester rifles, had been selected to entertain us. This was cheerful at the outset, and we began to realize that we were on a dangerous and important mission. Leaving Carthage at daylight we rode hard all day and reached Gainesboro late in the afternoon. Here Marshals Henderson, Young, B. C. Brown, J. P. Huddleston, Sam. M. Tinsley and Russ Maxwell met us. They had gone over the ground carefully, and had all the information we wanted. We had notified all the telegraph operators along our line of travel

to allow nothing to go over the wires a head of us. This afterwards proved to be an important forethought. The next day we rode to Livingston and that night started into the enemy's country. About ten o'clock at night, we forded the Obi River and started for Kettle Creek, about five miles away, and the home of the men we were after. Away off to our left a large bonfire was burning on the mountain top, and several of us felt a suspiciously solemn feeling creeping up our spinal column at the idea that possibly it was a signal to the "shiners" that we were almost upon them, and the desperate strait we were in, should this prove to be true, first dawned upon us. Joe Spurrier, who knew every foot of the ground, took us to the house of Mr. McCullom, where we fed our horses and ate a good supper. At twelve o'clock, with the moon shining brightly, we started for our first still. After a weary ride through the woods, as dark as pitch, we came to a gloomy hollow with fallen trees and underbrush blocking the way, and up on the hillside the outlines of a log cabin could be seen. This was the home of Johnson Scott, one of the worst men of that section. We quietly divided the men, one party surrounded the house and the other made a rush for the still. Scott was caught in bed, and was

the most surprised man I ever saw. He said he had heard of our coming, but looked for us from the north and not from the west, as his spies had reported we would come by the way of Glasgow. We cut up his still, but found no whisky. Between two o'clock and daylight we cut up five stills and arrested the men who were running them, meeting no resistance, as our coming was a complete surprise. The next two days we destroyed eight other stills, beer tubs, doubler caps, etc., none of them complete, with the exception of Jno. Watson's, where we found about twenty gallons of whisky, and fire burning under the still, with Watson personally superintending. He was morose and sullen at first, but our uniform, courteous treatment, finally thawed him out, and he took us to his house, gave us supper and fed our horses. When we left he had a higher opinion of Uncle Sam than ever before. By this time our raid was known in all the adjoining counties, and while we found several rude log sheds and plenty of evidence of past and contemplated occupancy, we saw no more of copper. Our prisoners were handcuffed together, put in charge of Deputy Marshal Harlan, and started toward Louisville on a boat from Celina, Tennessee, while the posse started for Albany and Burksville, Ky.

Between these ponts we ran up on Jim Whitehead, one of the men who surrounded some revenue officers in a thicket, and threatened to burn them in a furnace if they could be forced to surrender. He was placed under arrest and taken to Burksville. Here the posse was photographed in a body, and the raid abandoned. We rode over four hundred miles horse back, and struck a blow at the heart of the worst moonshine section of Kentucky and Tennessee, from which they will never recover. Since that raid, Deputy Collector Spurrier has taken several trips to Pearidge, and while he occasionally finds a still, he reports that it is no longer the terror to revenue officers it was formerly."

Besides their resistance to the United States marshals, the moonshiners have a cunning method of getting ahead of the government in another direction. They maintain a sort of collusion, by which one of their number is occasionally informed upon and prosecuted. As a number of witnesses must be called to sustain the indictment, the moonshiner's family, relatives, and all his neighbors are subpoenaed. The witness fees and mileage enables them to go to the city and have a good time. The one informed on goes to jail, of course, but that is not bad living for him, and he returns to his native

heath the hero of the occasion. The next time one of his neighbors is informed upon, and perhaps the prisoner of the other occasion will be the prosecutor this time. By this plan of being prisoner turn about, the moonshiners are enabled to have a good time and make a little spending money besides.

A moonshine still-house is usually a log cabin with a clap-board roof held down by logs which are pinned to the rafters. When a still-house is built in a mountain ravine it is usually constructed by setting two posts in the ground, one end of a sleeper resting on each one of these posts and the other end stuck into the hillside. It is then covered with rough clap-boards, and sometimes trees and brush are thrown around and over the building to hide it from view.

The article manufactured in these rude and hidden stills is known in that section of the country as "mountain dew," and is a very superior article of whisky. The "shiners" possess all the requisites for making a good article of distilled spirits, viz.: hard, flinty corn and pure, clear spring water. The products of these illicit stills often go to make up some of the brands advertised in southern markets as "hand made sour mash whisky."

CHAPTER XXI.

TOBACCO, SNUFF AND CIGARS.

ANYONE desiring to enter the business of a manufacturer of tobacco must furnish the collector of the district in which he proposes to establish his business a statement accurately setting forth the place where his manufacture is carried on, the number and kind of machines kept for use, and the kind and quality of his products. Before the manufacturer begins operations he must also give a bond, to be approved by the collector of the district, conditioned that he shall not engage in any attempt, by himself or by collusion with others, to defraud the government of any tax on his manufactures; and that he shall render truly and completely all the returns, statements and inventories prescribed by law or regulations.

Manufacturers of tobacco, who are also dealers in tobacco, are not allowed, as dealers, to occupy portions of their bonded factory premises for storing, selling and delivering such tobacco. Where a manufacturer has a retail store in connection with his factory, he must have it separated by a partition.

This partition may be made of wire netting. The object of requiring the salesroom to be separated from the factory is to prevent the manufacturer from having an undue advantage should he seek to evade paying the revenue tax on manufactured goods.

The law requires that all manufactured tobacco must be put up in packages of certain descriptions and limitations. For instance, plug and twist tobacco must be put up in wooden packages not exceeding two hundred pounds net weight, while smoking tobacco must be put up in packages containing not less than two, or more than sixteen ounces each. Every package of tobacco must have marked thereon the name of the manufacturer, the place where manufactured, and the registered number of the factory, and the proper revenue stamp, together with the following notice:

“NOTICE.—The manufacturer of this tobacco has complied with all the requirements of law. Every person is cautioned, under the penalties of law, not to use this package for tobacco again.”

The stamps for the payment of taxes on tobacco, snuff and cigars are kept by the collectors of the internal revenue, who sell them to the manufacturers. The law provides, very minutely, just how

these stamps shall be affixed to the packages. Upon all pails, kegs and barrels, the stamp must be placed across the staves, and be attached to as many staves as possible, between the first and second tier of hoops. The stamps upon cigar boxes must be so affixed as to seal the box, rendering it impossible to open the box and remove its contents without breaking or destroying the stamps.

The stamps are affixed to the packages of tobacco by the manufacturer himself, and are also canceled by him. In canceling revenue stamps the dealer must use a steel die furnished by the commissioner, and unless packages are canceled with a government die, they are liable to seizure whenever found.

The law makes it the duty of every person who empties any stamped box, bag, or wrapper of any kind containing tobacco to destroy the revenue stamp thereon. It may not be generally known that accepting empty cigar boxes is an offense punishable by fine, but such is a fact. Section 3,376 of Revised Statutes declares that every person who sells or gives away or who buys or accepts from another any empty stamped tobacco box, shall, for each offense be fined one hundred dollars and imprisoned for not less than twenty days and not more than one year. This provision of the

law in regard to giving away empty tobacco boxes is something of a dead letter, and boys and girls who beg cigar boxes from a tobacconist's stand are not likely to have the full penalty of the law visited upon them. Tobacco dealers, however, generally obey the provision which forbids the selling of empty boxes.

The regulations governing the manufacture and sale of cigars are numerous and exacting. The manufacturer of cigars must first give a bond, and then he must place a sign on the building used for a factory, setting forth in letters three inches in length, his name and business. He must then post up in a conspicuous place, within the building or room used as a factory, the certificate he receives from the collector which permits him to employ a certain number of cigar-makers. He must pack his cigars in boxes not before used for that purpose, as described in the general regulations, and in no other manner. He must brand, stamp, indent, or impress into the boxes containing the cigars manufactured by him, in a legible and durable manner, his factory number, the number of cigars in each box, the number of the district and the State. He must affix a printed label bearing this caution:

“ Notice.—The manufacturer of the cigars herein

contained has complied with all the requirements of law. Every person is cautioned not to use either this box for cigars again, or the stamp thereon again, nor to remove the contents of this box without destroying said stamp, under the penalties provided by the law in such cases."

He must affix to each box of cigars manufactured and put up by him, a proper internal revenue stamp to denote the payment of the tax. Having properly boxed his cigars and affixed the proper revenue stamps, he must, before he sells a box, cancel the stamp by using a government die in such a manner as to destroy the stamp and drive portions of it into the wood of the box.

The duties of a cigar manufacturer are so numerous that he may be said to be an internal revenue officer. When required to cancel the stamps on cigar boxes he is, to a certain extent, performing an official act for the government.

The manufacturers of tobacco and cigars are so numerous in this country, that it is only by the exercise of the greatest vigilance on the part of the local collectors and revenue officers that the tax from this source can be faithfully collected. The most practical contrivances in the manner of affixing and canceling stamps, and of marking and branding

packages to prevent frauds, fail to accomplish the desired object unless the revenue officers are faithful and efficient.

One of the common methods of evading the revenue tax upon manufactured tobacco and cigars is by the re-use of stamps, and by the refilling and re-use of the stamped packages. Both of these methods require, to a greater or less extent, complicity between the manufacturer and dealer in tobacco and cigars. The law requires the destruction of stamps as soon as the packages are emptied, but instead of destroying them the dishonest dealer carefully removes the stamps, either before or after the packages are emptied, and returns them to the manufacturer to be used a second time.

One of the most effective means of preventing frauds in the revenue tax on tobacco is the provision of the law requiring dealers in leaf tobacco to make detailed reports to the government. Dealers in leaf tobacco are required to keep two books, one of which is furnished by the government. In these books the dealer is to enter, daily, the amount of tobacco he sells, with the name and residence in each instance of the person to whom sold, and if shipped, to whom shipped and to what district. The entries in both of these books must be in every

respect identical and original entries. One of these books is to be kept at the dealer's place of business, and is to be open at all hours to the inspection of any internal revenue officer or agent. The other book, which is the property of the government, at the end of every year is to be handed over to the collector of the district for the use of the government.

Should an inspector have reason to suspect that a cigar manufacturer was evading the revenue tax, he would have recourse to these books to find out the amount of raw material he had purchased. In the first place, he would require the manufacturer of cigars to produce his books and to show how much leaf tobacco he had purchased and who he had obtained it from. He would then go to the leaf dealer's books and find out if this statement was correct.

The inspectors know about what quantity of cigars can be made out of a given amount of material. If the cigars made by the manufacturer fall a good ways short of the estimated number that should be made out of the leaf tobacco purchased, it is pretty good evidence that fraud is being practiced, and the inspector sets about find-

ing out what and where the fraud is, and he often succeeds.

The method employed by the government in collecting the revenue tax on tobacco is not so complicated as is the system by which the revenue is collected on alcoholic spirits. Government officers do not watch the tobacco while in process of manufacture as they do spirits, nor are there any special officers to watch manufactured tobacco while it is in store before being placed upon the market, nor are there any officers to affix the stamps and cancel them. The manufacturer is his own officer. He counts and places his cigars in boxes himself, he buys the revenue stamps and affixes them to the boxes, and when he makes a sale he cancels the stamps on his own boxes.

The only watchman over him is the inspector, but the revenue tax on tobacco is not so easily evaded as the duties on distilled spirits, and it is not necessary to have so many officers to watch this branch of the revenue. This part of the internal revenue tax is as closely guarded as any other portion of the revenue system, and the income from the tobacco tax is very satisfactory.

CHAPTER XXII

OLEOMARGARINE AND OPIUM.

THE collection of the tax on oleomargarine and opium belongs to the department of the interior, and is collected in about the same way as is the tax on tobacco.

An act defining butter and imposing a tax upon and regulating the manufacture, sale, importation and exportation of oleomargarine was passed by Congress in 1886. The law provides:

“ That upon oleomargarine which shall be manufactured and sold, or removed for consumption or use, there shall be assessed and collected a tax of two cents per pound, to be paid by the manufacturer thereof; and any fractional part of a pound in a package shall be taxed as a pound. The tax levied by this section shall be represented by coupon stamps; and the provisions of existing laws governing the engraving, issue, sale, accountability, effacement and destruction of stamps relating to tobacco and snuff, as far as applicable, are hereby made to apply to stamps provided for by this action.”

Section 10, of the same act, provides that all oleomargarine imported from foreign countries shall, in addition to any import duty imposed on the same, pay an internal revenue tax of fifteen cents per pound.

Manufacturers of oleomargarine must pay a special tax of \$600 a year and give a bond for \$5,000, subject to the approval of the collector of internal revenue for the district in which the manufacturing establishment is located.

Oleomargarine must be packed in wooden packages, not before used for that purpose, in packages not less than ten pounds. The manufacturer pays the revenue of two cents per pound by purchasing the stamps of the collector and affixing them to the packages. The manufacturer must also cancel the stamp with a steel die, much in the same manner as that prescribed for the cancellation of stamps on cigar boxes. The manufacturer is required to place upon each box or package the following notice :

“NOTICE.—The manufacturer of the oleomargarine herein contained has complied with all the requirements of law. Every person is cautioned not to use either this package again or the stamp thereon again, nor to remove the contents of this

package without destroying said stamp, under the penalty provided by law in such cases."

Wholesale dealers in oleomargarine are required to pay a special tax of \$480 per year. They must not sell in quantities less than ten pounds. Retail dealers must pay an annual tax of \$48. They may sell small quantities, but must sell from original packages. The law requires that the retail dealers sell the article in wooden or paper packages, and that each package be labeled "oleomargarine."

The tax on oleomargarine is not evaded to any great extent. The manufacturers are required by law to report to the Secretary of the Treasury the names and addresses of the dealers to whom they sell, and as the manufacturers are under heavy bond they comply with the law. The collectors are informed by the Treasury Department when sales are made to dealers in their district. This information assists the internal revenue officers in collecting the tax from this source, and gives the dealer but little chance to defraud the government.

There are not very many manufactories of oleomargarine in the country. There are only fourteen, all told. Five of these are in Chicago, three in Pawtucket, Rhode Island, two in Kansas City, and

one each at Boston, New Haven, Conn., Hammond, Ind., and Providence, Rhode Island.

The numerous State laws relating to oleomargarine make it easy for the government to watch the manufacture of the article and to collect the special license tax from the manufacturers.

The State law of Colorado provides that no one shall manufacture or sell oleomargarine unless he obtains a license for such purpose from the county, town or city within which such manufacture or sale is to be carried on.

The legislature of Iowa passed a law in 1886 requiring all manufacturers of imitation butter to clearly and durably brand each tub, box, or other package, with the true name of the contents. Penalties are prescribed for selling imitation butter not so marked. When imitation butter is served at hotels or restaurants the patrons of the place must be notified of the fact by means of a printed placard.

In Massachusetts the law provides that imitation butter must be labeled "adulterated butter." Retailers must see that each package they sell is thus branded, or else they are subject to a fine.

Nearly all the States in the Union have laws in

reference to the manufacture of oleomargarine, similar to the laws quoted above.

The new law in reference to a tax on opium provides:

“That an internal revenue tax of ten dollars per pound shall be levied and collected upon all opium manufactured in the United States for smoking purposes; and no person shall engage in such manufacture who is not a citizen of the United States and who has not given the bond required by the Commissioner of Internal Revenue.”

The bond required must be for a sum of not less than \$5,000.00, to be approved by the Commissioner. The manufacturer of opium must make such reports to the collector of the district in which his manufactory is located as the Commissioner of Internal Revenue may require.

There are special stamps prepared for payment of the revenue tax on opium. The provisions of existing laws governing the issue, sale, accountability, cancellation and destruction of stamps relating to tobacco, as far as applicable, are made to apply to stamps provided for payment of tax on opium.

CHAPTER XXIII.

SEIGNIORAGE.

AN act providing for the coinage of gold, silver and copper, and locating a mint at Philadelphia, was approved April 2, 1792. This law made the silver dollar the unit of value, and declared that it should contain four hundred and sixteen grains of standard silver. All other coins, either of a higher or lower value, were measured from the unit, or the silver dollar. Eagles were each made of the value of ten dollars or units, and were to contain two hundred and seventy grains of standard gold. The other coins provided for were the half eagle, quarter eagle, half dollar, quarter dollar, dime, half dime, cent and half cent. This law permitted anyone to bring gold and silver bullion to the mint and have it coined into money free of charge. If the person bringing bullion to the mint did not want to wait until it was coined, he had the privilege of exchanging his bullion for coined money, less one-half per cent. from the weight of the pure gold or silver contained in the bullion.

In 1873, Congress passed a law making the gold one-dollar piece, at the standard weight of twenty-five and eight-tenths grains, the unit of value. The trade dollar of four hundred and twenty grains, troy weight, took the place of the old silver dollar that had been so long the unit of value. Trade dollars were discontinued in 1887, and the silver dollar now in use weighs four hundred and twelve and one-half grains troy, but the gold dollar is the unit of value. By the same law it is provided that a charge shall be made for converting gold and silver bullion into coin. This charge is called "seigniorage," and is for the purpose of making the mints self sustaining. In recent years the profits from coinage have been more than sufficient to pay the expenses of operating the mints, and the government derives a small revenue from this source.

By a recent law it is lawful for coinage to be executed at the mints of the United States for any foreign country applying for the same. The charges for coining money for foreign countries have, in several instances, helped to swell the income from seigniorage.

There are at the present time four mints in the United States, and located, one each at Philadel-

phia, San Francisco, New Orleans and Carson City. There are six government assay offices. There is one at each of the following places, viz.: New York, Denver, Helena, Montana; Boise City, Idaho; Charlotte, N. C., and St. Louis. The earnings of the assay offices do not equal the expenses. The work of the assay offices is to convert gold and silver bullion into bars, and stamp the weight and fineness thereon.

The following table gives the profits on coinage each year for the past ten years:

1881.....	\$ 3,468,485.61
1882.....	4,116,693.73
1883.....	4,460,205.17
1884.....	4,250,609.30
1885.....	6,051,284.96
1886.....	5,904,619.26
1887.....	8,929,252.83
1888.....	9,387,634.48
1889.....	10,165,264.79
1890.....	10,217,244.25
Total.....	<u>\$66,951,294.38</u>

CHAPTER XXIV.

PUBLIC LANDS.

THE receipts derived from the sale of public lands is not a revenue received from taxation, but is an income from an inheritance. When the Articles of Federation were adopted and the States became a confederacy, those entering into the compact ceded the unowned territory within their respective jurisdictions to the general government. In 1780 New York ceded to the government all its right and title to the land formerly belonging to the Indians, which the State had acquired by treaty. Virginia responded in 1784, by ceding to the government all her claims northwest of the Ohio River. Two years after this, Connecticut came forward and laid at the feet of the government a tract of land between 41° and $42^{\circ} 12'$ west of a meridian 120 miles west of the Pennsylvania line. In 1787, South Carolina handed over to the government a twelve-mile strip of territory, running from the source of the Savannah river to the Mississippi.

These cessions constituted the entire public domain at that time. But Congress took early

action toward enlarging the national territory. On July 13, 1787, an act was passed, organizing the territory between the Ohio and Mississippi Rivers, and providing for its future division into not more than five nor less than three States. This was called the Territory of the Northwest and was claimed by the government under the old "from sea to sea" charter rights, granted to the old New England Colonies. Out of this territory the States of Ohio, Indiana, Michigan and Illinois have been carved, and the sale of land belonging to this part of the public domain was, for a good many years, a source of generous income to the Treasury.

After the adoption of the constitution the new republic secured territory very rapidly.

By the Louisiana purchase, 1803, about 700,000 square miles were added to the public domain for the consideration of fifteen million dollars. In 1821 the United States purchased the territory of Florida for five millions. In 1845 the territory now embraced in the State of Texas was annexed to the United States. This territory had formerly been a part of Mexico. Shortly after this, in 1846, the Oregon boundary question was settled. England claimed the territory as far south as the Columbia River. This claim was based on the discoveries of

Captain Cook, made in 1776. The United States claimed the territory as far north as $54^{\circ} 40'$. This claim was based on the discovery of the mouth of the Columbia by Gray in 1792, and the explorations of Lewis and Clark in 1805. The matter was finally settled by compromise, and the northwestern boundary fixed at 49° north latitude. This was in reality a favorable settlement for the United States, and was one more step toward broadening the public domain. As a result of the war with Mexico, that country ceded to the United States all the territory embraced in what was then known as the province of New Mexico and Upper California. This territory was further enlarged in 1853 by the purchase of a strip of country south of the Gila River, known as the Gadsden purchase. The price paid was ten million dollars. The last acquisition of territory was the purchase of Alaska from Russia in 1868 for the sum of seven million dollars.

The sale of the public lands acquired by these various purchases and annexations have been a source of prolific revenue to the government. The new government had only been in operation a few years when steps were taken toward disposing by sale of parts of the public domain. As early as 1796 provision was made by Congress for the survey

and sale of such lands in the Northwest territory as had not previously been conveyed by letters patent. This law provided that the land should be divided by north and south lines, running according to the true meridian, and by others crossing them at right angles, so as to form townships six miles square. These townships are marked with progressive numbers from the beginning, and they were subdivided into sections containing six hundred and forty acres each. These sections were numbered respectively, beginning with the number one in the north section, and proceeding west and east alternately through the township, with progressive numbers, until the thirty-sixth is completed. This system of surveying is still in force, all the western country having been surveyed off into townships. The unit for measuring land is the section containing six hundred and forty acres.

For the purpose of selling the public lands, Congress, in 1812, established a bureau called the General Land Office. It was under the supervision of the Secretary of the Treasury. When the Department of the Interior was established, in 1849, the land office was transferred to this department. The General Land Office is now presided over by a commissioner appointed by the President. The

commissioner, under the direction of the Secretary of the Interior, performs all the executive duties appertaining to the survey and sale of the government lands.

For the purpose of selling public land, Congress has divided the country into land districts. For each land district the President appoints a register of the land office, and a receiver of public moneys. The number of land districts in a State or Territory depends entirely upon the amount of public land for sale, and the amount of business transacted. The new States in the West are bountifully supplied with land offices, but some of the older States have none. The land offices at Chillicothe, Ohio; Indianapolis, Ind., and Springfield, Ill., were abolished several years ago, there being no further need of them in those States. Some of the late districts established are as follows: The Oneida district in Idaho with an office at Oxford; the Yellowstone district in Montana, with office at Miles City; the Yakima district in Washington, with office at Yakima City, and the Colfax district in New Mexico, with office at Folsom.

The lands of the United States are disposed of to the people by private and public sale, and also,

A FRONTIER LAND OFFICE.



under certain regulations, by what is known as the homestead, pre-emption and bounty methods.

There are two classes of public lands subject to entry and sale. One is known as *minimum* land, and is sold at \$1.25 per acre. The other is called *double minimum*, being the alternate sections along the railroad lines, and is sold at \$2.50 per acre.

When land is offered at private sale, it may be purchased, at the option of the buyer, in entire sections, half sections, quarter sections, half quarter sections and quarter quarter sections. The price at private sale is \$1.25 or \$2.50 per acre, as the case may be. When land is offered at public sale it is sold in half quarter sections to the highest bidder.

The pre-emption right is the privilege given to the settler who first takes up a piece of land and begins to improve it. When the land is opened up for sale the government gives the settler the first chance to buy the land. A citizen of the United States may pre-empt in this way not more than one hundred and sixty acres. The price paid for this land is \$1.25 per acre if the land is minimum, and \$2.50 per acre if it is double minimum. The homestead law gives to every citizen the right to a homestead of 160 acres of land. To obtain a homestead the applicant must make oath that he is the

head of a family, or over twenty-one years of age, and a citizen of the United States, or has declared his intention to become such; and that the entry is for his exclusive use and benefit, and for actual settlement and cultivation. The fees paid to the government for securing a homestead are \$18. After five years occupancy of the land the settler receives a patent, or full title, to the same. Under the provisions of law relating to bounty lands, an ex-soldier, upon paying the regulation fee of \$18, may enter 160 acres of land, and the time the soldier was in the war is deducted from the five years occupancy required in the case of the homestead settler. It will be seen that the government derives an income from the disposal of public lands in these instances no matter by what means conveyed.

Mining lands have usually been surveyed into lots containing forty acres, and sold at auction.

The method of selling public land is very simple in its operation. The would-be buyer must go to the land office for the district in which the land he wishes to purchase is located, and make application to the register of that office. The register has a plat of all the lands in his district, and he makes a record in his book of the description of the land the purchaser makes application for. The price paid

for the land, or the entry fee, if taken under the homestead law, is paid to the receiver of the land office.

When the tracts of land are opened for sale, and the first land office in a district opens its doors to transact business, there is always a rush of settlers and buyers to be on hand in time to select a choice piece of land. The vast amount of land sometimes sold within a short time after a land office has been in operation, has given rise to the expression, "A land-office business;" and when applied to any enterprise or business affair, the force of the comparison is apparent.

The following table shows the amount received each year, from the sale of public lands, for the past ten years:

1881.....	\$2,201,863.17
1882.....	4,753,140.37
1883.....	7,955,864.42
1884.....	9,810,705.01
1885.....	5,705,986.44
1886.....	5,630,999.34
1887.....	9,254,286.42
1888.....	11,202,017.23
1889.....	8,038,651.79
1890.....	6,358,272.51
Total.....	<u>\$70,911,786.70</u>

CHAPTER XXV.

MISCELLANEOUS REVENUES.

THERE are several sources of income to the United States that are not of sufficient importance to entitle them to any extended notice, yet brief mention must at least be made of them. This chapter will be devoted to the consideration of these revenues.

Tax on National Banks.

The first tax levied by the government on banks was imposed in 1863, at the time of authorizing the formation of national banks. The law provided that bank associations could deposit government bonds with the Treasurer of the United States as security and receive national bank notes to the amount of ninety per cent. of the bonds deposited with the Treasurer. Besides being security for the circulating notes these bonds bore interest, which the bank association owning them had a right to collect. As the government bonds were not taxed, Congress passed a law, in 1864, imposing the following taxes on national banks:

“ In lieu of all existing taxes, every association shall pay to the Treasurer of the United States, in the months of January and July, a duty of one-half

of one per centum each half year upon the average amount of its notes in circulation, and a duty of one-quarter of one per centum each half year upon the average amount of its deposits, and a duty of one-quarter of one per centum each half year on the average amount of its capital stock beyond the amount invested in the United States bonds."

The law of 1883 abolished the tax on the capital and deposits of national banks. The only tax now on banks is the tax on the circulation of national bank notes, which is one-half of one per centum for each half year. The table given below shows that the income received from national banks has fallen off considerably since the tax on deposits and capital was repealed in 1883.

The amount received each year from the tax on national banks for the last ten years is as follows:

1881.....	\$8,116,115.72
1882.....	8,956,794.45
1883.....	9,111,008.85
1884.....	3,108,730.13
1885.....	2,914,222.25
1886.....	2,693,712.87
1887.....	2,385,851.18
1888.....	1,748,566.85
1889.....	1,536,087.16
1890.....	1,301,326.58
Total.....	\$41,872,316.04

Patents and Copyrights.

All patents are issued in the name of the United States of America, under the seal of the Patent Office, and are signed by the Secretary of the Interior, and countersigned by the Commissioner of Patents. Every patent contains a short title or description of the invention, indicating its nature and design. The length of time for which a patent is granted is seventeen years.

The following are the rates for patent fees : On filing each original application for a patent, fifteen dollars ; on receiving patent, twenty dollars ; on filing each caveat, ten dollars ; application for the re-issue, thirty dollars ; on receiving an extension of the patent, fifty dollars ; for certified copies, ten cents per hundred words. Patent fees are paid to the Commissioner of Patents, or to the Treasurer, or to any of the Assistant Treasurers of the United States.

Any company or person entitled to the exclusive use of any lawful trade-mark, or who intends to adopt and use any trade-mark for exclusive use within the United States, may obtain protection for such lawful trade-mark by complying with the following requirements : By causing to be recorded in the patent office a statement specifying the names

of the parties who desire the protection of the trade-mark, a description of the trade-mark itself, with fac-similes thereof, showing the mode in which it is to be applied and used, and by making payment of a fee of \$25.

Copyrights are under the charge of the librarian of Congress. Any citizen, or any one living in this country, who is the author, inventor, designer or proprietor of any book, map, chart or musical composition, engraving, cut, print or photograph, or of any painting, drawing or statue, may secure a copyright on the same for a term of twenty-eight years by complying with the regulations of law and upon payment of the proper fee to the librarian of Congress. These fees are as follows: For recording the title or description of the copyright, fifty cents; for furnishing copy under seal of such record, fifty cents; for recording any instrument of writing for the assignment of a copyright, fifteen cents for every one hundred words; for every copy of an assignment, ten cents for every hundred words. All fees so received are paid into the treasury of the United States.

Fees, Fines and Penalties.

Besides the import duties there are certain fees charged by the government for making out papers

at the custom houses that bring in an income of several thousand dollars to the government each year. The fee for granting clearance papers is two dollars and fifty cents. For permit to land and unload is one dollar. Certifying manifest is ten cents. Permit to load goods for exportation, thirty cents. The receipts derived from these and numerous other custom house fees are not included in the treasurer's report of duties collected, but are placed under the head of customs fees.

There are several consular fees. The principal one is the fee of two dollars and fifty cents for verification of invoice.

Another class of fees that bring a small revenue to the government is the land fees. The fees collected at land offices are not included in the report of receipts derived from the sale of public lands, but are reported as a separate item.

Under the head of receipts derived from fines and penalties may be mentioned the seizure and sale of smuggled goods, and the amounts received from fines imposed on those attempting to smuggle. Penalties are imposed for removing merchandise from a landing place without permit. Vessels departing for a foreign port without securing clearance papers are subject to a heavy fine. The

amounts received from these sources are turned into the treasury.

Pacific Railroads.

Congress granted a charter in 1862 to a company called the Union Pacific Railroad Company. The charter authorized the company to build a railroad from some point on the one hundredth meridian, between the Republic and Platte Rivers in Nebraska to the western boundary of Nevada. The company was allowed to issue one hundred thousand shares of stock in sums of one thousand dollars each. Congress granted to the company the right of way for two hundred feet in width, and a grant of 12,800 acres of public land for each mile completed. A subsidy was granted to the amount of \$16,000, \$32,000, \$48,000 per mile, according to the location of the road and the nature of the country through which it passed. This subsidy was in the nature of bonds of the United States, secured by a first mortgage on all the property of the company, and to be issued from time to time as the road was completed and accepted by the government. These bonds were made to run thirty years from the date of issue. It was provided that interest should not be paid by the railroad company on these bonds

until the principal should become due; that the United States should receive toward the payment of these bonds five per centum of the net earnings of the road, and to secure such payment the government was authorized to withhold one-half of the compensation for services rendered to it by said company.

The provision relating to the repayment of the bonds are in these words: "All compensation for services rendered for the government shall be applied to the payment of said bonds and interest, until the whole amount is fully paid; and after said road is completed, until said bonds and interest are paid, at least five per centum of the net earnings of the said road shall be annually applied to the payment thereof." This part of the charter was finally amended as follows: "Only one-half of the compensation for services rendered the government shall be required and applied to the payment of said bonds issued by the government in aid of the construction of said railroads." As a result of this legislation considerable litigation has sprung up.

About a year before the charter was granted to the Union Pacific Railway, a company had been organized under the general railroad law of California, under the name of Central Pacific Railroad Com-

pany. The object of this company was to build a railroad from Sacramento across the mountains to the eastern boundary of the State.

By the act of Congress incorporating the Union Pacific Company the Central Pacific of California was declared entitled to the same right of way, land grants, subsidy and other aid which had been granted to the former. These two railroads form practically one line, and both have been subject to the same Congressional legislation.

As a result of the indebtedness and operations of these railway companies, and the disposition they made of their incomes, they succeeded in evading the payment of the interest and bonds due the government. As it was known that the operation of these roads was profitable, it became necessary for the government to take steps to collect its just dues. To do this, further legislation was necessary, and, in 1878, an act known as the Thurman bill passed both Houses.

The bill provides that the net earnings of these railroad companies shall be ascertained by deducting from the gross amount of their earnings the necessary expenses actually paid out within the year; and also the sum paid by them within the year in discharge of interest on their first mort-

gage bonds, which had a priority over the lien of the United States, and excluding from consideration all sums owing or paid by these companies to other parties. This law has operated to prevent these railroad companies from creating new debts with a view of defrauding the government.

The same law provided that the compensation due the railroads for carrying the mails, transporting soldiers, etc., shall be retained by the United States, and that one-half of the amount must be applied toward payment of the interest due on the bonds which the government had issued to the railroad companies in 1862. The other is deposited in a sinking fund to be invested by the Secretary of the Treasury in bonds of the United States. The semi-annual income from this source to be from time to time invested in like manner. In addition to this the railroad companies are required to pay into the Treasury annually, to the credit of the sinking fund, the sum of \$1,200,000, or an amount sufficient to pay the five per cent. of the net earnings of these roads due the United States.

The proceeds of this sinking fund are to go toward the payment of the bonds issued to the companies. The law provided that if the railroad companies fail to perform the requirements of the

act, such failure is to operate as a forfeiture of their charter.

The receipts of the government from the source called "From repayment of interest by Pacific railways," is the amount withheld from the companies each year for the liquidation of the interest paid by the government upon the bonds held by the companies. The income to the government derived from the source called "From sinking fund for Pacific railways," is the amounts received from the interest of the bonds in the sinking fund. The whole amount received from the sinking fund is ultimately to go toward liquidating the debt due the government from these railways. These amounts, although placed on the credit side of the Treasurer's books, are really not a source of income to the government. The amounts received from this source are only the annual payments due the government from the mortgage the latter holds on the Pacific railways.

Minor Items.

Seal Fisheries. The Secretary of the Treasury has the power to lease the right of taking fur-seals from the islands of Saint Paul and Saint George. The annual rental must not be less than fifty thousand dollars. In addition to this annual rental, a

revenue tax of two dollars is laid upon each fur-seal skin taken and shipped from the islands above named.

Soldiers' Home. For the support of this institution the following funds are set apart: All fines adjudged against soldiers by sentence of courts-martial; all forfeitures on account of desertion; and all moneys belonging to the estates of deceased soldiers, which are unclaimed by heirs. The commissioners are authorized to receive all donations made by any person for the benefit of the institution, and to hold the same for its sole and exclusive use.

Indian Lands. The lands ceded to the United States by Indian tribes are surveyed and sold in the same manner as public lands. Under treaty stipulations, the proceeds derived from the sale of these lands are usually paid to the Indians in installments, or invested by the secretary in some judicious manner, as he may deem best, and the interest derived therefrom paid to them annually.

District of Columbia. The District is under the control of Congress, and its municipal affairs are regulated by three commissioners appointed by the President and Senate. Fifty per cent. of the amount required to pay the municipal expenses of the District is paid by Congress, but the other fifty per

cent. is levied on the taxable property in the District, and collected by the commissioners and paid into the Treasury of the United States.

Sale of Government Property. Military stores, when damaged or unsuitable for public service, may be sold by order of the President. When any armed vessel of the United States is so much out of repair that it can not be advantageously fitted out, the President may order it to be sold. The Secretary of the Navy may sell at public auction any navy materials which, in his opinion, are unfit for government use. The proceeds of such sales are added to the receipts of the treasury.

Immigrant Fund. Every death by natural disease, occurring during the voyage among passengers of more than eight years of age, on board any vessel arriving in the harbors of the United States, subject the owners of such vessel to a fine of ten dollars. The money arising from this exaction goes to the immigrant fund. The immigrant fund is further enhanced by the tax of fifty cents for each passenger brought from a foreign country. This fund is expended under the direction of the Secretary of the Treasury for regulating immigration, and for the care of immigrants arriving in the United States, and for the relief of such as are in distress. This

tax must be paid by the owners of vessels carrying immigrant passengers.

Depredations of Public Lands. Section 2462 of the Revised Statutes makes it a serious offense to cut and take away any liveoak or red cedar timber on public lands reserved for naval purposes. Such lands are usually located on navigable rivers or by good harbors. The master or owner of a vessel who transports any timber reserved for naval purposes, is subject to a fine of one thousand dollars, and his vessel is liable to seizure

As regards other timber in the interior of the country, it may be cut and used for mining, building and agricultural purposes by citizens of the United States. But anyone taking timber for other purposes, or transporting it for sale, commits a misdemeanor, and may be imprisoned six months, and compelled to pay a fine of five hundred dollars. Persons committing waste on timber belonging to the government are usually permitted to escape punishment by paying for the timber they have taken. All moneys received from fines and settlements in depredation cases are turned into the treasury.

CHAPTER XXVI.

THE GREAT CONTROVERSY.

IT is not inconsistent with the plan of this work to place before the reader some general information in regard to tax systems.

There are two ways to study political economy. One way is to seek the present good, the other is to seek the good of the future. It is often the object of writers on sociology to theorize for the coming man. They endeavor to start processes of thought and to provoke discussion that will ultimately lead to new and better methods of securing public revenue, and of managing the financial affairs of a nation. These discussions have thrown a strong light upon economic questions, and there is reason to believe that in the near future the subject will be much better understood.

Among the speculative theories that may be mentioned is the "single tax" idea of Henry George. The advocates of this theory claim that all taxes should be laid upon land. Personal property should not be taxed, for the reason that this is produced or earned by the individual. But

rent and the increase in price of land, they claim, is the property of society, and should be appropriated to the use of the government. It is probable that the wide dissemination of this theory will result in a heavier taxation being placed upon real estate held only for speculative purposes.

Jeremy Bentham, an English jurist, advocated a peculiar theory of taxation. He proposed to restrict inheritances, providing that the greater part of estates go to governments instead of the heirs, thus abolishing taxes altogether. It is not probable that such a visionary scheme will ever be fully realized, yet there is a germ of truth hidden in the suggestion. It may be, in times to come, that the maximum amount an heir may inherit will be regulated by law. The Illinois State Bar Association, at their meeting in January, 1886, made a recommendation as follows:

“ That the statutes of descent of property and of wills be so changed, as to limit the amount that any one may take by descent from the same person or by bequest or devise, except for educational and other charitable purposes.”

The object of this law as recommended, is only to provide against the amassment of large fortunes in a few hands, and does not touch the question of

taxation. It follows in a measure the extreme theories held by the English jurist just mentioned. The result of this discussion will probably, in this country, lead to a well regulated income tax, which will have a tendency to clip large fortunes, as well as to bring a revenue to the government.

The economical systems of a nation are the result of growth. Changes should be made slowly. The fact that a system of taxation has many imperfections is no argument in favor of radical or hasty reforms. It would be rash in the extreme to abolish all the old forms of taxation, and adopt in their stead new and untried theories. Great harm would be done before a country could adjust itself to the new order of things. If a man has an orchard full of crooked trees that bear only indifferent seedlings, yet it remains true that the orchard bears fruit, and if he cuts it down and tears up the roots, it is evident that he will have no orchard and no fruit until he plants another one and it grows to maturity. It is certainly better husbandry to prune and care for the old orchard while the new one is coming on.

A nation may be likened to an individual. It grows up with imperfections. It is what it is because circumstances have made it such. The individual may possess bodily imperfections, yet the

constitution and physical vigor he possesses is the best he has, and he may, with care, prolong his life to the ordinary span of mortal existence. It is the same way with a nation—it is a growth. Causes which no human agencies could have averted have conspired to make it what it is. Our own great nation may possess imperfections, there may be in the structure some ill-fitting material, there may even be in the very foundation some weak timber—but it is the only government we have, and we can not tear it to pieces and build it anew any more than we can transform a hunchbacked old man into a straight and lithesome youth. But there is one thing we can do—we can amend, fix up, doctor, repair and improve. In other words, we must accept our government as it is and make the most of it.

It may have been that if this country had retained an interest in the gold and silver mines found upon its public domains, and had leased them out, thereby insuring a continued revenue to the government, that it would have been much wiser than to have sold them, as has been done. It may be that it would have been much better for the general prosperity of the people of the United States if the government, at the outset, had provided for direct

taxation, and had never resorted to customs and tariff duties. But it is too late now to speculate upon these themes. The mining lands have been sold, and the customs tax has become imbedded in the financial system of the country. It now remains for us to curtail such abuses as we may find in our national tax system, to enlarge upon its good features, to engraft upon it new principles, and to see to it that our revenue policy grows and expands with the growth of the country.

As it is with the present that the practical citizen has to deal, we will dismiss all peculiar and extravagant theories and come to the consideration of the present state of affairs.

There are two systems of taxation that have long been in practice, and precedent has made both of them respectable. They are the direct and indirect systems of taxation. A few definitions may not be out of place at this time. John Stuart Mill says that "A direct tax is one which is demanded from the very persons who it is intended or desired should pay it." The same authority says, "Indirect taxes are those which are demanded from one person, in the expectation and intention that he shall indemnify himself at the expense of another."

A tax on land, a poll tax, a tax on personal

property and an income tax are instances of direct taxes. Stamp taxes, internal revenue taxes, and customs duties are examples of indirect taxes. An indirect tax may be called a tax on commodities that is paid by the purchaser.

Nearly all State taxes are direct taxes. The government, at the present time, is supported entirely by indirect taxes. When a man goes to the county treasurer's office to pay taxes on his real estate and personal property, he pays an assessed amount for which he receives a receipt—this is direct taxation. When a man buys a box of cigars, he not only pays for the tobacco and cost of manufacture, but he pays also the stamp duty of fifteen cents per box which the manufacturer first paid to the revenue collector, and then afterward added to the price of the cigars. It is an indirect tax because it was primarily paid by the manufacturer, and because it is not a fixed and certain amount required of each person, as each man's taxes for stamp duties on cigars depends entirely upon the amount he chooses to purchase.

There has been much discussion as to the merits of these two systems. It is claimed in favor of the indirect tax that it is paid by a purchaser at such times and in such a way that he does not feel that

he is paying a tax. The tariff, or revenue tax, becomes compounded with the price of a commodity, and the buyer is unable to discern the amount of tax he pays.

The advocates of the indirect system further claim that it is an advantage for the government to secure a liberal income without the people being aware that it is they who are furnishing the funds. If all taxes were direct, both Federal and State, the amount would seem enormous, and penurious people would be clamoring for a reduction of taxes. This, it is claimed, would embarrass the government and prevent it, in many instances, from carrying out liberal and beneficial enterprises.

The objection to indirect taxation is that being a tax on consumption it does not discriminate between the poor man's last dollar and the income of the millionaire. A stamp tax on matches would not bear equally upon all classes of people. The poor widow in an open and windy shanty would use nearly as many matches as a well to do family in a good home.

Another objection to the system of indirect taxation is the cost required in its collection. A vast army of officials is especially required in the collection of the customs duties. Another objection

urged against this system is that it is a hidden and a secret way of securing the revenue for the government, and that the people paying such a tax have no knowledge of the amount the government secures in this way, and they do not as carefully watch the national expenditures as they would if they paid direct taxes.

It is claimed in favor of direct taxation that it is more in accordance with the advanced ideas of civilization, and that it rests upon more just and business-like principles. When a man pays direct taxes, he knows to a cent what the amount is, and when paid he receives a receipt therefor. It makes of the taxpayer a more intelligent citizen, and instead of being careless and indifferent to the amount of taxes he pays, the citizen becomes alert and watchful and carefully scrutinizes public expenditures. If the direct system were applied to national affairs there would not be so much wasteful extravagance. Under a system of direct taxation a nation cannot be made bankrupt by its rulers.

While it is true that direct taxation is a more exact and just method of securing public revenue, and is more in harmony with our republican form of government, which is based upon the intelligence of the people, yet to resort wholly to such a system

at the present time would be of doubtful expediency. There are a number of able writers who hold that all the people are not yet sufficiently intelligent, patriotic and public spirited as to willingly furnish the government all needed revenues by direct taxation. This is especially true, since the hidden and seemingly easy system of indirect taxation has so long been in practice.

The concensus of opinion of those best qualified to know is that, under the present state of affairs, a mixed system of taxation is the best for our government. Several impartial writers on political economy believe that at least a small portion of the federal income should be raised by direct taxation. This, it is claimed, would give the citizen more of an interest in federal taxation and would bring the subject before him as State and county taxes are now brought to his notice.

As the State taxes are nearly all direct, and the national taxes are all of an indirect nature, we have in this way the advantages of a mixed system of taxation, and the policy is not likely to be changed soon. It is generally conceded by practical men that we must, for some time to come, receive the bulk of our national income through the custom house and by way of the internal revenue office.

Up to this point the majority of careful thinkers agree with each other. The internal revenue tax meets with general approval, and there is no discussion about the matter except as to the amount this source should be made to bear. But there are certain features in the application and assessment of customs duties about which there is a wide diversity of opinion. It is here that the great controversy begins.

The nature of the customs tax is such that, in levying the duties, it is possible for the government to favor certain manufactures or industries. A duty so levied on articles imported into this country as to aid or favor a certain home industry is called a protective tariff. It is generally understood that a protective tariff is a high duty levied on foreign goods with a view not only of raising a revenue for the government, but of aiding home industries engaged in manufacturing the same articles, by shutting out foreign competition. A low tariff levied on imported goods, whether the same be a product of this country or not, is called a tariff for revenue only. Those who believe in the protective theory are called protectionists, and those who believe that customs duties should be levied only for revenue, without attempting in any-

way to aid any special trade, or to give protection or favor to any manufacturing industry, are called free traders.

It is claimed in favor of protection that it not only furnishes a revenue to the government, but that it gives special aid to such industries as come in competition with the products of foreign countries. This, it is claimed, builds up home industries at the expense of the foreign trade.

It is further urged by those believing in this system that protection, by aiding one industry also aids another, and in this way increases business and creates a home trade.

Allied to the doctrine that a high tariff will foster home industries is the claim that it will also furnish a home market for the products of the farm. It is claimed that protection will aid in bringing about a diversity of industries and an increased growth in manufacturing establishments, which will result in bringing a home market nearer to every farmer's door.

Another argument in favor of the protective policy is that it protects labor. A high duty on imported manufactured goods will make home products command a higher price, and, conse-

quently, enable the manufacturer to pay higher wages.

It is further claimed by the protectionist that a nation should have diversified industries, and that it should not be required to depend upon other countries for any important class of manufactured articles. A condition of war has been pointed out as an instance in which a nation should be especially able to provide for its own wants. This can be brought about, it is said, by protecting industries which are not yet self-sustaining.

The free traders claim that the object of taxation should be to collect a revenue for the government, and that taxes should not be levied in such a way as to give special aid or protection to one industry more than to another. The object of a high tariff duty is to shut out the foreign article, and to enable the home producer to sell at a higher price. This, the free trader claims, is a tax on consumers for the benefit of a favored few.

Another objection to a high protective duty is that even if it was proper, at one time, for the government to aid infant industries, that this condition does not now exist, and that there is no reason for protecting them at the present time. The manufactures usually protected are powerful monopolies

and should be required to face foreign competition instead of being protected.

The free traders further claim that, in levying a protective tax, it gives rise to contention, strife and corruption in the efforts of one industry to gain an advantage over another. If Congress is to subsidize some special industry at every session of the national legislature, then there will be no end to intrigue, corruption and monopoly.

While admitting that a high tariff duty will benefit the industry that is protected, the free traders claim that it is class legislation, and does not assist in the general building up of the country. The only industries worth anything to a country are those that have grown up on a solid foundation and are self-sustaining. Industries that are fostered and cared for by taxing the people for their support are a burden and not a blessing to a country. The farmer who would thrive must raise crops that are indigenous to the soil he tills. To grow exotic plants will bring him no profit. Diversified industries, the opposers of protection claim, will come in a natural and healthy way, at the proper time, and do not need any hot-house forcing. To prove their theory they cite the States of the Union, among which there is unlimited free trade, as an instance

that manufactories will come to a new country when the time is ripe for them, without protection and without favor. Candy factories do not flourish in backwoods towns, but they come when these towns grow into cities and there is a demand for them. It would be easy to cite numerous instances in which candy factories have flourished in Western States, although they had to come into competition with the Eastern States, and they were not protected against this competition.

The same may be said in reference to many other manufacturing industries that have grown up in the Western States, although they came in competition with the manufacturing establishments of the Eastern States. Among the manufacturing industries which have grown up and are flourishing in the Western States, in spite of the competition of the Eastern States, and against which there is no protection, may be mentioned those of agricultural implements, furniture, boots and shoes, woolen goods, and clocks and watches.

Pointing to this remarkable development of the Western States as against the Eastern States, and this without protection, the free traders argue that the United States will acquire and hold new indus-

tries in due time, and in a natural and healthful manner.

The advantages of a home market are not denied by the free traders, but they deny that a protective tariff is the best way to secure it. Centers of trade and industry grow up naturally with the increase of population and wealth. Chicago has become a great city and a great market chiefly on account of its location. New Orleans is also, by reason of its location, an important market. Many a boom town in the West has tried to become a center of trade and industry by paying bonuses to manufacturing enterprises, and yet they have ingloriously failed. Markets and cities are brought about by natural causes, not by taxation.

While admitting that a home market may be convenient, yet it is not of such vital importance, the low tariff party assert, that everything should be sacrificed for its sake. We should not, they say, pay more for a home market than it is worth. It will not pay a farmer living near a village to be taxed heavily on all his tools and necessities of life in order to maintain some sickly manufacturing establishment at the village. The free traders point to the fact that the home market theory is seldom carried out in the ordinary affairs of life. There

are but few farmers who do not occasionally take quite a journey to some city for the purpose of selling in a better market than the home market, and buying in a cheaper one.

The claim set forth by the protectionists that a high tariff protects the American laborer is met by the free traders with the statement that the only way to protect labor would be to exclude the cheap pauper labor arriving daily from the old world by placing a high tariff tax on immigrants.

The claim that protection will make a nation independent and prepare it for a war is met by the statement that it is a poor kind of independence to possess. The man who secludes himself from his neighbors and lives a hermit life may be independent, but he is not very progressive. The farmer who does not patronize the blacksmith or harness-maker, but does all his own "mending," may be independent, but he does not often make money. It is the same with a nation as with an individual. To be selfish and exclusive is not a good policy for either men or nations to follow. The believers in free trade point to China and Japan as countries that would not be formidable in war, although they have been developing their own resources for many

centuries, and, until recently, have had no trade relations with the rest of the world.

Another argument advanced against the protective tariff is that it is a narrow, selfish and exclusive policy. That it does not occupy a high plain of liberalism, and that it tends to check and stultify advancing civilization. The free traders claim that a low tariff would bring in an abundant revenue, and yet would not interfere with the utmost freedom of trade. It is argued that freedom of intercourse among nations is one of the greatest factors in advancing the prosperity of the world; and that trade, when carrying only a light weight, will grow and increase in a normal manner, furnishing more work, more food and more clothing to all the world than when loaded down with heavy duties. Trade should be facilitated, not hampered, for commerce, more than any other one thing, has had a tendency to soften the jealousies existing between different nations, and to bring mankind into one common brotherhood.

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